

## IMPORTANT NOTICE

Dear Sirs

### **Proposed offering of £1,000,000,000 7.875 per cent. Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities (Callable 2022 and Every Five Years Thereafter) (the "Securities") issued by Barclays PLC (the "Issuer")**

The Issuer is proposing to undertake an offering (the "**Offer**") of the Securities on the terms set out in an offering circular dated 7 August 2015 (the "**Offering Circular**") which is being sent to you with this letter. This letter contains important information relating to restrictions with respect to the offer and sale of the Securities (including pursuant to the MR Rules (as defined below) to retail investors).

### **Restrictions on marketing and sales of the Securities to retail investors**

The Securities are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Securities to retail investors.

In particular, in August 2014, the U.K. Financial Conduct Authority (the "**FCA**") published the Temporary Marketing Restriction (Contingent Convertible Securities) Instrument 2014 (the "**TMR**"), which took effect on 1 October 2014 and, in June 2015, published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which will replace the TMR from 1 October 2015 (the "**PI**").

Under the rules set out in the TMR (as amended or replaced from time to time, the "**TMR Rules**") and in the PI (as amended or replaced from time to time, the "**PI Rules**" and, together with the TMR Rules, the "**MR Rules**"), (i) certain contingent write-down or convertible securities (including any beneficial interests therein), such as the Securities, must not be sold to retail clients in the EEA and (ii)(a) until 1 October 2015, nothing may be done that would or might result in the buying of such securities (or the holding of a beneficial interest in such securities) by a retail client in the EEA (in each case within the meaning of the TMR Rules), or (b) from 1 October 2015, there must not be any communication or approval of an invitation or inducement to participate in, acquire or underwrite such securities (or the beneficial interest in such securities) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules), other than in accordance with the limited exemptions set out in the applicable MR Rules.

Barclays Bank PLC and the other managers (the "**Managers**") are required to comply with the applicable MR Rules. By purchasing, or making or accepting an offer to purchase, any Securities (or a beneficial interest in such Securities) from the Issuer and/or the Managers, you represent, warrant, agree with and undertake to the Issuer and each of the Managers that:

1. you are not a retail client in the EEA (as defined in the applicable MR Rules);
2. whether or not you are subject to the MR Rules, you will not (A) sell or offer the Securities (or any beneficial interests therein) to retail clients in the EEA or (B) either (x) until 1 October 2015, do anything (including the distribution of the Offering Circular) that would or might result in the buying of the Securities or the holding of a beneficial interest in the Securities by a retail client in the EEA (in each case within the meaning of the TMR Rules) or (y) from 1 October 2015, communicate (including the distribution of the Offering Circular) or approve an invitation or inducement to participate in, acquire or underwrite the Securities (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case within the meaning of the PI Rules), in any such case other than (i) in relation to any sale or offer to sell Securities (or any beneficial interests therein) to a retail client in or resident in the United Kingdom, in circumstances that do not and will not give rise to a contravention of the applicable MR Rules by any person and/or (ii) in relation to any sale or offer to sell Securities (or any beneficial interests therein) to a retail client in any EEA member state other than the United Kingdom, where (a) you have conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Securities (or any beneficial interests therein) and is able to bear the potential losses involved in an investment in the Securities (or any beneficial interests therein) and (b) you have at all times acted in relation to

such sale or offer in compliance with the Markets in Financial Instruments Directive (2004/39/EC) ("**MiFID**") to the extent it applies to you or, to the extent MiFID does not apply to you, in a manner which would be in compliance with MiFID if it were to apply to you; and

3. you will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Securities (or any beneficial interests therein), including (without limitation) any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Securities (or any beneficial interests therein) by investors in any relevant jurisdiction.

Where you are acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Securities (or any beneficial interests therein) from the Issuer and/or the Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both you as agent and your underlying client.

You acknowledge that each of the Issuer and the Managers will rely upon the truth and accuracy of the representations, warranties, agreements and undertakings set forth herein and are entitled to rely upon this letter and are irrevocably authorised to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby. This letter is additional to, and shall not replace, the obligations set out in any pre-existing general engagement terms entered into between you and any one of the Managers relating to the matters set out herein.

Capitalised but undefined terms used in this letter shall have the meaning given to them in the Offering Circular.

This document is not an offer to sell or an invitation to buy any Securities.

Your offer or agreement to buy any Securities will constitute your acceptance of the terms of this letter and your confirmation that the representations and warranties made by you pursuant to this letter are accurate.

This letter and any non-contractual obligations arising out of or in connection with it are governed by English law. The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this letter (including a dispute relating to the existence or validity of this letter or any non-contractual obligations arising out of or in connection with this letter) or the consequences of its nullity.

Should you require any further information, please do contact us.

Yours faithfully

**BARCLAYS BANK PLC**  
**and the other Managers**

cc: Barclays PLC

**THIS OFFERING CIRCULAR IS AVAILABLE ONLY TO PERSONS WHO ARE NOT U.S. PERSONS AND WHO ARE LOCATED OUTSIDE OF THE UNITED STATES.**

IMPORTANT: You must read the following before continuing. The following applies to the offering circular following this page (the "**Offering Circular**") and you are therefore advised to read this page carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from Barclays PLC (the "**Issuer**") or Barclays Bank PLC (the "**Bookrunner**"), Banca IMI S.p.A., Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., BNP PARIBAS, Morgan Stanley & Co. International plc, SMBC Nikko Capital Markets Limited, Standard Chartered Bank, UBS Limited and Wells Fargo Securities International Limited (together, the "**Joint Lead Managers**") and ABN AMRO Bank N.V., Lloyds Bank plc, Pohjola Bank plc, Scotiabank Europe plc and The Toronto-Dominion Bank (together, the "**Co-Lead Managers**") and, together with the Bookrunner and the Joint Lead Managers, the "**Managers**") as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED IN THE OFFERING CIRCULAR.

The securities referred to in the Offering Circular are not intended to be sold and should not be sold to retail clients in the European Economic Area, as defined in the rules set out in the Temporary Marketing Restriction (Contingent Convertible Securities) Instrument 2014 or the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 (together, the "**MR Rules**"), as amended or replaced from time to time, other than in circumstances that do not and will not give rise to a contravention of those rules by any person. Prospective investors are referred to the section headed "*Restrictions on marketing and sales to retail investors*" on pages 1-2 of the Offering Circular for further information.

**Confirmation of your representation:** In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities being offered, prospective investors must be located outside the United States. The Offering Circular is being sent to you at your request, and by accessing the Offering Circular you shall be deemed to have represented to the Issuer and the Managers that (1) you and any customers you represent are purchasing the securities being offered in an offshore transaction (within the meaning of Regulation S under the Securities Act) and the electronic mail address that you have provided and to which this e-mail has been delivered is not located in the United States, its territories and possessions, any State of the United States or the District of Columbia and (2) you consent to delivery of the Offering Circular by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person.

The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer, and a Manager or any affiliate of a Manager is a licensed broker or dealer in the relevant jurisdiction, the offering shall be deemed to be made by such Manager or such affiliate on behalf of the Issuer in such jurisdiction.

The Offering Circular does not constitute an offer of the securities to the public in the United Kingdom. The Offering Circular is only being distributed to and is only directed at (i) persons who are outside the United Kingdom; (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**"); (iii) high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (iv) other persons to whom it may lawfully be communicated (all such persons in (i), (ii), (iii) and (iv) above together being referred to as "**relevant persons**"). The securities are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on the Offering Circular or any of its contents. The Offering Circular has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer and the Managers, any person who controls them or any director, officer, employee or agent of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Managers.

## OFFERING CIRCULAR DATED 7 AUGUST 2015



### BARCLAYS PLC

*(incorporated with limited liability in England and Wales)*

#### **£1,000,000,000 7.875 per cent. Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities (Callable 2022 and Every Five Years Thereafter)**

Barclays PLC (the "**Issuer**") is issuing £1,000,000,000 aggregate principal amount of 7.875 per cent. Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities (Callable 2022 and Every Five Years Thereafter) (the "**Securities**") at an issue price of 99.990 per cent.

From (and including) the date of issuance to (but excluding) 15 September 2022 (such date and each fifth anniversary date thereafter being a "**Reset Date**"), the interest rate on the Securities will be 7.875 per cent. per annum. From (and including) each Reset Date to (but excluding) the next following Reset Date, the applicable per annum interest rate will be equal to the sum of the applicable Mid-Market Swap Rate (as defined herein) on the relevant Reset Determination Date (as defined herein) and 6.099 per cent. **The interest rate following any Reset Date may be less than the initial interest rate and/or the interest rate that applies immediately prior to such Reset Date.** Subject to the conditions set out herein, interest, if any, will be payable quarterly in arrear on 15 March, 15 June, 15 September and 15 December of each year (each, an "**Interest Payment Date**"), commencing on 15 December 2015. A payment made on 15 December 2015, if any, would be in respect of the period from (and including) 11 August 2015 to (but excluding) 15 December 2015 (and thus a long first interest period).

**Interest on the Securities will be due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any Interest Payment Date. In certain circumstances, the Issuer shall be restricted from making an interest payment (in whole or in part) on the Securities on an Interest Payment Date and the interest payable in respect of any such Interest Payment Date shall be deemed cancelled (in whole or in part) and therefore not due and payable. Interest will only be due and payable on an Interest Payment Date to the extent it is not cancelled or deemed cancelled in accordance with the terms of the Securities.**

**The Securities are perpetual and have no fixed maturity or fixed redemption date. As a result of the fact that the Securities are perpetual securities and that interest on the Securities will be due and payable only at the Issuer's sole discretion and that the Issuer may cancel (in whole or in part) any interest payment at any time, the Issuer is not required to make any payment of the principal amount of the Securities at any time prior to its winding-up or administration and Holders (as defined herein) may not receive interest on any Interest Payment Date.**

The rights and claims of the Holders will be subordinated to the claims of Senior Creditors (as defined herein).

Subject to certain conditions, the Issuer may, at its option, redeem the Securities, in whole but not in part, on any Reset Date (or at any time in the event of a change in certain U.K. regulatory capital requirements or upon the occurrence of certain tax events as described herein) at 100 per cent. of their principal amount, together with any accrued but unpaid interest (which excludes any interest cancelled or deemed cancelled as described herein) to (but excluding) the date fixed for redemption.

**If a Capital Adequacy Trigger Event (as defined herein) occurs, then an Automatic Conversion (as defined herein) will occur on the Conversion Date (as defined herein), at which point all of the Issuer's obligations under the Securities (other than certain Issuer obligations in connection with the Conversion Shares Offer (as defined herein), if any, which are referred to herein as the CSO Obligations) shall be irrevocably and automatically released in consideration of the Issuer's issuance of the Conversion Shares (as defined herein) to the Conversion Shares Depository (as defined herein) (or other relevant recipient as set out herein), and under no circumstances shall such released obligations be reinstated. The Conversion Shares shall initially be registered in the name of the Conversion Shares Depository (which shall hold the Conversion Shares on behalf of the Holders or the relevant recipient in accordance with the terms of Securities). The Issuer may elect, in its sole and absolute discretion, that a Conversion Shares Offer be made by the Conversion Shares Depository to all or some of the then existing shareholders of the Issuer. The realisable value of any Conversion Shares received by a Holder following an Automatic Conversion may be significantly less than the Conversion Price (as defined herein) of £1.65 initially, and Holders could lose all or part of their investment in the Securities as a result of the Automatic Conversion.**

Following an Automatic Conversion, the Securities shall remain in existence until the applicable Cancellation Date (as defined herein) for the sole purpose of evidencing (a) the Holder's right to receive Conversion Shares or Conversion Shares Offer Consideration (as defined herein), as applicable, from the Conversion Shares Depository and (b) the Issuer's CSO Obligations, if any.

Application has been made for the Securities to be provisionally admitted to trading on the main standard of the SIX Swiss Exchange AG ("**SIX Swiss Exchange**") from 11 August 2015. Application will be made to the SIX Swiss Exchange for listing of the Securities. The Securities are a new issue of securities and have no established trading market. There can be no assurance that an active trading market in the Securities will develop, and any trading market that does develop may not be liquid.

The Securities are not intended to be sold and should not be sold to retail clients in the EEA, as defined in the rules set out in the Temporary Marketing Restriction (Contingent Convertible Securities) Instrument 2014 or the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, as amended or replaced from time to time, other than in circumstances that do not and will not give rise to a contravention of those rules by any person. Prospective investors are referred to the section headed "*Restrictions on marketing and sales to retail investors*" on page 1 of this Offering Circular for further information.

This Offering Circular does not constitute a prospectus for the purposes of Directive 2003/71/EC, as amended and, in accordance with such Directive, no prospectus is required in connection with the issuance of the Securities.

The Securities have not been, and will not be, registered under the United States Securities Act of 1933 (the "**Securities Act**") and are subject to United States tax law requirements. The Securities are being offered outside the United States by the Managers (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Securities will be in registered form in denominations of £200,000 and integral multiples of £1,000 in excess thereof. The Securities will be represented by a global certificate deposited with a common depository for Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**") and/or Euroclear Bank SA/NV ("**Euroclear**" and, together with Clearstream, Luxembourg, the "**Clearing Systems**") and registered in the name of such depository or its nominee. Beneficial interests in the Securities will be held through Clearstream, Luxembourg and/or Euroclear and their respective direct and indirect participants, and such direct and indirect participants will record beneficial interests on their books. The Issuer will not issue individual certificates in respect of the Securities except in limited circumstances set out in "*Forms of the Securities*" below. Settlement of the Securities will occur through the Clearing Systems against payment for value on 11 August 2015.

The Securities are expected on issue to be rated B+ by Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**"), BB+ by Fitch Ratings Ltd. ("**Fitch**") and Ba2 by Moody's Investors Service Ltd. ("**Moody's**"). Each of Standard & Poor's, Fitch and Moody's is established in the European Union and registered under Regulation (EC) No 1060/2009, as amended. **A security rating is not a recommendation to buy, sell or hold Securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

*Investing in the Securities involves significant risks.* For more information, see the section entitled "*Risk Factors*", and the information included and incorporated by reference in this Offering Circular for a discussion of the factors investors should carefully consider before deciding to invest in the Securities.

**Investors should reach their own investment decision about the Securities only after consultation with their own financial and legal advisers about risks associated with an investment in the Securities and the suitability of investing in the Securities in light of the particular characteristics and terms of the Securities, which are complex in structure and operation, and in light of each investor's particular financial circumstances.**

*Sole Structuring Adviser and Sole Bookrunner*

**Barclays**

*Joint Lead Managers*

<b>Banca IMI</b>	<b>Banco Bilbao Vizcaya Argentaria, S.A.</b>	<b>BNP PARIBAS</b>
<b>Morgan Stanley</b>	<b>Santander Global Banking &amp; Markets</b>	<b>SMBC Nikko</b>
<b>Standard Chartered Bank</b>	<b>UBS Investment Bank</b>	<b>Wells Fargo Securities</b>

*Co-Lead Managers*

<b>ABN AMRO</b>	<b>Lloyds Bank</b>	<b>Pohjola Bank plc</b>
<b>Scotiabank</b>		<b>TD Securities</b>

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## IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Offering Circular and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular, to the best of the Issuer's knowledge, is in accordance with the facts and contains no omission likely to affect its import.

This Offering Circular must be read and construed with any information incorporated by reference herein (see "*Information Incorporated by Reference*" below).

The Issuer has confirmed to the Managers (as defined in "*Subscription and Sale*" below) that this Offering Circular contains all information which is (in the context of the issue, offering and sale of the Securities) material with regard to the Issuer and its subsidiaries, such information is true and accurate in all material respects and is not misleading in any material respect and does not omit to state any other fact required to be stated herein or the omission of which would make any information contained herein misleading in any material respect and all reasonable enquiries have been made to ascertain such facts and to verify the accuracy of all such information.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer, the Group or the Securities other than as contained in this Offering Circular or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Managers.

Neither the Managers nor any of their respective affiliates have authorised the whole or any part of this Offering Circular and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Circular. Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Security 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 Issuer's or Group's condition (financial or otherwise) since the date of this Offering Circular.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Securities.

The distribution of this Offering Circular and the offering, sale and delivery of Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and by the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Securities and on distribution of this Offering Circular and other offering material relating to the Securities, see "*Subscription and Sale*".

### **Restrictions on marketing and sales to retail investors**

The Securities are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Securities to retail investors.

In particular, in August 2014, the U.K. Financial Conduct Authority (the "**FCA**") published the Temporary Marketing Restriction (Contingent Convertible Securities) Instrument 2014 (the "**TMR**"), which took effect on 1 October 2014 and, in June 2015, published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which will replace the TMR from 1 October 2015 (the "**PI**").

Under the rules set out in the TMR (as amended or replaced from time to time, the "**TMR Rules**") and in the PI (as amended or replaced from time to time, the "**PI Rules**" and, together with the TMR Rules, the "**MR Rules**"), (i) certain contingent write-down or convertible securities (including any beneficial interests therein), such as the Securities, must not be sold to retail clients in the EEA and (ii)(a) until 1 October 2015, nothing may be done that would or might result in the buying of such securities (or the holding of a beneficial interest in such securities) by a retail client in the EEA (in each case within the meaning of the TMR Rules), or (b) from 1 October 2015, there must not be any communication or approval of an invitation or inducement to participate in, acquire or underwrite such securities (or the beneficial interest in such securities) where that invitation or inducement is addressed to or disseminated



in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules), other than in accordance with the limited exemptions set out in the applicable MR Rules.

The Managers are required to comply with the applicable MR Rules. By purchasing, or making or accepting an offer to purchase, any Securities (or a beneficial interest in such Securities) from the Issuer and/or the Managers, each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Managers that:

1. it is not a retail client in the EEA (as defined in the applicable MR Rules);
2. whether or not it is subject to the MR Rules, it will not (A) sell or offer the Securities (or any beneficial interests therein) to retail clients in the EEA or (B) either (x) until 1 October 2015, do anything (including the distribution of this Offering Circular) that would or might result in the buying of the Securities or the holding of a beneficial interest in the Securities by a retail client in the EEA (in each case within the meaning of the TMR Rules) or (y) from 1 October 2015, communicate (including the distribution of this Offering Circular) or approve an invitation or inducement to participate in, acquire or underwrite the Securities (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case within the meaning of the PI Rules), in any such case other than (i) in relation to any sale or offer to sell Securities (or any beneficial interests therein) to a retail client in or resident in the United Kingdom, in circumstances that do not and will not give rise to a contravention of the applicable MR Rules by any person and/or (ii) in relation to any sale or offer to sell Securities (or any beneficial interests therein) to a retail client in any EEA member state other than the United Kingdom, where (a) it has conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Securities (or any beneficial interests therein) and is able to bear the potential losses involved in an investment in the Securities (or any beneficial interests therein) and (b) it has at all times acted in relation to such sale or offer in compliance with the Markets in Financial Instruments Directive (2004/39/EC) ("**MiFID**") to the extent it applies to it or, to the extent MiFID does not apply to it, in a manner which would be in compliance with MiFID if it were to apply to it; and
3. it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Securities (or any beneficial interests therein), including (without limitation) any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Securities (or any beneficial interests therein) by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Securities (or any beneficial interests therein) from the Issuer and/or the Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

The Securities are complex financial instruments and such instruments may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. Each potential investor in the Securities should determine the suitability of such investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Offering Circular;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- (iii) understand thoroughly the terms of the Securities, such as the provisions governing an Automatic Conversion (including, in particular, the circumstances under which a Capital Adequacy Trigger Event may occur) and the situations in which interest payments may be cancelled or deemed cancelled; and

- (iv) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) Securities are legal investments for it; (ii) Securities can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Securities under any applicable risk-based capital or similar rules.

Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Offering Circular or incorporated by reference herein.

In this Offering Circular, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area (the "**EEA**"), references to "\$" are to the lawful currency for the time being of the United States, references to "£", "**sterling**" and "**pounds sterling**" are to the lawful currency for the time being of the United Kingdom (the "**U.K.**"), references "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro and references to "**Clearstream, Luxembourg**", "**Euroclear**" or the "**Clearing Systems**" shall include any successor clearing systems. For purposes of this Offering Circular, the term "**Group**" shall mean Barclays PLC (or any successor entity) and its consolidated subsidiaries, unless the context indicates otherwise. References to the "**Bank**" shall mean Barclays Bank PLC. The term "**PRA**" shall mean the Prudential Regulation Authority of the U.K. or such other governmental authority in the U.K. (or if Barclays PLC becomes domiciled in a jurisdiction other than the U.K., such other jurisdiction) having primary responsibility for the prudential supervision of Barclays PLC.

**In connection with the issue of the Securities, Barclays Bank PLC (the "Stabilising Manager") (or persons acting on behalf of the Stabilising Manager) may over allot Securities or effect transactions with a view to supporting the price of the Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Securities is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Securities and 60 days after the date of the allotment of the Securities. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.**

## OVERVIEW

*This overview must be read as an introduction to this Offering Circular and any decision to invest in the Securities should be based on a consideration of the Offering Circular as a whole, including the documents incorporated by reference herein.*

*This overview refers to certain provisions of the Terms and Conditions of the Securities and is qualified by the more detailed information contained elsewhere in this Offering Circular. Words and expressions defined in the section entitled "Terms and Conditions of the Securities" have the same meanings in this overview.*

*Investing in the Securities involves significant risk. For a discussion of certain risks that should be considered in connection with an investment in the Securities, see "Risk Factors" beginning on page 14 of this Offering Circular.*

<b>The Issuer</b>	Barclays PLC
	Barclays PLC is the ultimate holding company of the Group, the principal activities of which are financial services. In particular, the Group is engaged in personal banking, credit cards, corporate and investment banking, and wealth and investment management with an extensive international presence in Europe, the United States, Africa and Asia. The Group is structured around four core businesses: Personal and Corporate Banking, Barclaycard, Africa Banking and the Investment Bank. Barclays PLC beneficially owns the whole of the issued ordinary share capital of Barclays Bank PLC.
<b>The Securities</b>	£1,000,000,000 aggregate principal amount of 7.875 per cent. Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities (Callable 2022 and Every Five Years Thereafter).
<b>Issue Date</b>	11 August 2015.
<b>Perpetual Securities</b>	The Securities are perpetual securities and have no fixed maturity or fixed redemption date.
<b>Issue Price</b>	99.990 per cent.
<b>Interest Rate</b>	From (and including) the date of issuance to (but excluding) 15 September 2022, the interest rate on the Securities will be 7.875 per cent. per annum. From (and including) each Reset Date to (but excluding) the next following Reset Date, the applicable per annum interest rate will be equal to the sum of the applicable Mid-Market Swap Rate (as defined herein) on the relevant Reset Determination Date (as defined herein) and 6.099 per cent., adjusted for quarterly coupons.
<b>Reset Date</b>	15 September 2022 and each fifth anniversary date thereafter, commencing 15 September 2027.
<b>Reset Determination Date</b>	The second Payment Business Day immediately preceding each Reset Date.
<b>Interest Payment Dates</b>	15 March, 15 June, 15 September and 15 December of each year, commencing on 15 December 2015. A payment made on 15 December 2015, if any, would be in respect of the period from (and including) 11 August 2015 to (but excluding) 15 December 2015 (and thus a long first interest period).

**Interest Payments  
Discretionary**

Interest on the Securities is due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any Interest Payment Date. If the Issuer does not make an interest payment on the relevant Interest Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid) and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable.

See also "*—Effect of Interest Cancellation*" and "*—Notice of Interest Cancellation*" below.

**Restriction on Interest  
Payments**

Subject to the extent permitted in the following paragraph in respect of partial interest payments, the Issuer shall not make an interest payment on the Securities on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date) if:

- (a) the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of (i) all distributions or interest payments made or declared by the Issuer since the end of the last financial year and prior to such Interest Payment Date on or in respect of any Parity Securities, the Securities and any Junior Securities and (ii) all distributions or interest payments payable by the Issuer (and not cancelled or deemed cancelled) on such Interest Payment Date (x) on the Securities and (y) on or in respect of any Parity Securities, in the case of each of (i) and (ii), excluding any payments already accounted for in determining the Distributable Items; or
- (b) the Solvency Condition (as defined under "*—Status*" below) is not satisfied in respect of such interest payment.

The Issuer may, in its sole discretion, elect to make a partial interest payment on the Securities on any Interest Payment Date, only to the extent that such partial interest payment may be made without breaching the restrictions in paragraphs (a) and (b) above.

**"Distributable Items"** shall have the meaning assigned to such term in CRD IV as interpreted and applied in accordance with the Capital Regulations then applicable to the Issuer, but amended so that for so long as there is any reference therein to "before distributions to holders of own funds instruments" it shall be read as a reference to "before distributions to holders of Parity Securities, the Securities or any Junior Securities." Under CRD IV, as at the date hereof, "distributable items" means the amount of the profits at the end of the latest financial year plus any profits brought forward and reserves available for that purpose before distributions to holders of own funds instruments less any losses brought forward, profits which are non-distributable pursuant to provisions in legislation or the institution's by-laws and sums placed to non-distributable reserves in accordance with applicable national law or the statutes of the institution, those losses and reserves being determined on the basis of the individual accounts of the institution and not on the basis of the consolidated accounts.

**"Junior Securities"** means any ordinary shares, securities or other obligations (including any guarantee, credit support or similar undertaking) of the Issuer ranking, or expressed to rank, junior to the Securities in a winding-up or administration of the Issuer.

**"Parity Securities"** means any preference shares, securities or other obligations (including any guarantee, credit support or similar undertaking) of the Issuer ranking, or expressed to rank, *pari passu* with the Securities in a winding-up or administration of the Issuer.

See also "*—Effect of Interest Cancellation*" and "*—Notice of Interest Cancellation*" below.

**Effect of Interest Cancellation**

Interest will only be due and payable on an Interest Payment Date to the extent it is not cancelled or deemed cancelled in accordance with the provisions described under "*—Interest Payments Discretionary*" and "*—Restriction on Interest Payments*" above. Any interest cancelled or deemed cancelled (in each case, in whole or in part) in the circumstances described above shall not be due and shall not accumulate or be payable at any time thereafter, and Holders shall have no rights thereto or to receive any additional interest or compensation as a result of such cancellation or deemed cancellation. The Issuer may use such cancelled payments without restriction to meet its obligations as they fall due.

**Notice of Interest Cancellation**

The Issuer shall provide notice of any cancellation or deemed cancellation of interest (in whole or in part) to the Holders and to the Trustee and the Principal Paying Agent as soon as possible. If practicable, the Issuer shall endeavour to provide such notice at least five business days prior to the relevant Interest Payment Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation or deemed cancellation of interest, or give Holders any rights as a result of such failure.

**Status**

The Securities constitute direct, unsecured and subordinated obligations of the Issuer, ranking *pari passu* without any preference among themselves. The rights and claims of the Holders in respect of or arising from the Securities (including any damages (if payable)) are subordinated to the claims of Senior Creditors.

If:

- (a) an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except in any such case for a solvent winding-up solely for the purpose of a merger, reconstruction or amalgamation); or
- (b) following the appointment of an administrator of the Issuer, the administrator gives notice that it intends to declare and distribute a dividend,

then, (1) if such events specified in (a) or (b) above occur before the date on which a Capital Adequacy Trigger Event occurs, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer) such amount, if any, as would have been payable to a Holder if, on the day prior to the commencement of the winding-up or such administration and thereafter, such Holder were the holder of the most senior class of preference shares in the capital of the Issuer, having an equal right to a return of assets in the winding-up or such administration to, and so ranking *pari passu* with, the holders of such class of preference shares (if any) from time to time issued by the Issuer that has a preferential right to a return of assets in the winding-up or such administration, and so ranking ahead of the holders of all other classes of issued shares for the time being in the capital of the Issuer, but ranking junior to the claims of Senior Creditors, and on the assumption that the amount that such Holder was entitled to receive in respect of such preference shares, on a return of assets in such winding-up or such administration, was an amount equal to the principal amount of the

relevant Security together with any damages (if payable) and (2) if such events specified in (a) or (b) above occur on or after the date on which a Capital Adequacy Trigger Event occurs but before the Conversion Date, then for the purposes of determining the claim of a Holder in such winding-up or such administration, the Conversion Date in respect of an Automatic Conversion shall be deemed to have occurred immediately before the occurrence of such events specified in (a) or (b) above.

Furthermore, other than in the event of a winding-up or administration of the Issuer referred to above, payments in respect of or arising from the Securities are conditional upon the Issuer being solvent at the time of payment by the Issuer and in that no sum in respect of or arising from the Securities may fall due and be paid except to the extent that the Issuer could make such payment and still be solvent immediately thereafter (such condition referred to herein as the "**Solvency Condition**"). The Issuer shall be considered to be solvent at a particular point in time if (i) it is able to pay its debts owed to Senior Creditors as they fall due and (ii) the Balance Sheet Condition has been met.

A certificate as to whether or not the Issuer is solvent at any particular point in time by two Authorised Signatories shall be treated by the Issuer, the Trustee, the Holders and all other interested parties as correct and sufficient evidence thereof.

"**Senior Creditors**" means creditors of the Issuer (i) who are unsubordinated creditors; (ii) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up or administration of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise; or (iii) whose claims are, or are expressed to be, junior to the claims of other creditors of the Issuer, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Holders.

The "**Balance Sheet Condition**" shall be satisfied in relation to the Issuer if the value of its assets is at least equal to the value of its liabilities (taking into account its contingent and prospective liabilities), according to the criteria that would be applied by the High Court of Justice of England and Wales (or the relevant authority of such other jurisdiction in which the Issuer may be organised) in determining whether the Issuer is "unable to pay its debts" under section 123(2) of the U.K. Insolvency Act 1986 or any amendment or re-enactment thereof (or in accordance with the corresponding provisions of the applicable laws of such other jurisdiction in which the Issuer may be organised).

In addition, see "*Risk Factors—The Issuer is a holding company, which means that its right to participate in the assets of any of its subsidiaries upon the liquidation of such subsidiaries may be subject to prior claims of some of such subsidiary's creditors and preference shareholders.*"

**No Set-off**

Subject to applicable law, no Holder 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 Securities and each Holder shall, by virtue of its holding of any Securities, be deemed to have waived all such rights of set-off, compensation or retention.

**Optional Redemption**

The Issuer may, at its option, redeem the Securities, in whole but not in part, on any Reset Date at 100 per cent. of their principal amount, together with any accrued but unpaid interest (which excludes any interest cancelled or deemed cancelled as described under "*—Interest Payments Discretionary*" or "*—Restriction on Interest Payments*" above) to (but excluding) the date fixed for redemption. Any optional redemption will be subject, among other

things, to the provisions described under "*Notice of Redemption*" and "*Condition to Redemption*" below.

### **Regulatory Event Redemption**

If there is a change in the regulatory classification of the Securities that occurs on or after the Issue Date and that does, or would be likely to, result in the whole or any part of the outstanding aggregate principal amount of the Securities at any time being excluded from, or ceasing to count towards, the Group's Tier 1 Capital (a "**Regulatory Event**"), the Issuer may, at its option, at any time redeem the Securities, in whole but not in part, at a redemption price equal to 100 per cent. of their principal amount, together with any accrued but unpaid interest (which excludes any interest cancelled or deemed cancelled under "*Interest Payments Discretionary*" or "*Restriction on Interest Payments*" above) to (but excluding) the date fixed for redemption. Any redemption upon the occurrence of a Regulatory Event will be subject, among other things, to the provisions described under "*Notice of Redemption*" and "*Condition to Redemption*" below.

"**Tier 1 Capital**" means Tier 1 capital for the purposes of the Capital Regulations (as defined herein).

### **Tax Redemption**

The Issuer may, at any time, at its option, redeem the Securities, in whole but not in part, if the Issuer determines that as a result of a change in, or amendment to, the laws or regulations of a Taxing Jurisdiction, including any treaty to which the relevant Taxing Jurisdiction is a party, or a change in an official application of those laws or regulations on or after the issue date of the Securities, including a decision of any court or tribunal which becomes effective on or after the issue date of the Securities (and, in the case of a Successor Entity, which becomes effective on or after the date of that entity's assumption of the Issuer's obligations):

- (a) the Issuer will or would be required to pay Holders Additional Amounts (as defined herein);
- (b) the Issuer would not be entitled to claim a deduction in respect of any payments in computing its taxation liabilities or the amount of the deduction would be materially reduced;
- (c) the Issuer would not, as a result of the Securities being in issue, be able to have losses or deductions set against the profits or gains, or profits or gains offset by the losses or deductions, of companies with which the Issuer is or would otherwise be so grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date of issue of the Securities or any similar system or systems having like effect as may from time to time exist); or
- (d) the Issuer would, in the future, have to bring into account a taxable credit if the principal amount of the Securities was written down or the Securities were converted into Conversion Shares,

(each such change in tax law or regulation or the official application thereof, a "**Tax Event**"), at a price equal to 100 per cent. of their principal amount, together with any accrued but unpaid interest (which excludes any interest cancelled or deemed cancelled as described under "*Interest Payments Discretionary*" or "*Restriction on Interest Payments*" above) to (but excluding) the date fixed for redemption *provided that* in the case of each Tax Event, the consequences of the Tax Event cannot be avoided by the Issuer taking reasonable measures available to it.

Any redemption as a result of a Tax Event will also be subject, among other things, to the provisions described under "*Notice of Redemption*" and "

*Condition to Redemption"* below.

**Notice of Redemption** Any redemption of the Securities shall be subject to the Issuer providing not less than 30 days' nor more than 60 days' prior notice to the Holders and to the Trustee and the Principal Paying Agent (such notice being irrevocable except in the limited circumstances described in the following paragraph) specifying the Issuer's election to redeem the Securities and the date fixed for such redemption. The Issuer shall not be entitled to deliver a notice of redemption after an Automatic Conversion Notice has been delivered.

If the Issuer has elected to redeem the Securities but the Solvency Condition is not satisfied in respect of the relevant redemption payment on the applicable redemption date, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect and no payment of the redemption amount will be due and payable. In addition, if the Issuer has elected to redeem the Securities but prior to the payment of the redemption amount with respect to such redemption a Capital Adequacy Trigger Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, no payment of the redemption amount will be due and payable and an Automatic Conversion shall occur as described under "*Automatic Conversion Upon Capital Adequacy Trigger Event*" below.

**Condition to Redemption** Notwithstanding any other provision, the Issuer may redeem the Securities (and give notice thereof to the Holders) only if the Issuer has obtained the PRA's prior consent (if such consent is then required by the Capital Regulations) for the redemption of the Securities.

**Condition to Repurchase** The Issuer or any member of the Group may purchase or otherwise acquire any of the outstanding Securities at any price in the open market or otherwise in accordance with the Capital Regulations applicable to the Group in force at the relevant time, and subject to the prior consent of the PRA (if such consent is then required by the Capital Regulations) and to applicable law and regulation.

**Capital Adequacy Trigger Event** A "**Capital Adequacy Trigger Event**" shall occur if the Issuer determines at any time that the fully loaded CET1 Ratio (as defined herein) is less than 7.00 per cent.

**Conversion Price** The Conversion Price of the Securities is fixed at £1.65 per Conversion Share, subject to certain anti-dilution adjustments (the "**Conversion Price**").

**Automatic Conversion Upon Capital Adequacy Trigger Event** If a Capital Adequacy Trigger Event occurs, then an Automatic Conversion will occur on the Conversion Date, at which point all of the Issuer's obligations under the Securities (other than the CSO Obligations, if any) shall be irrevocably and automatically released in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient in accordance with the terms of the Securities) on the Conversion Date at the Conversion Price, and under no circumstances shall such released obligations be reinstated. The Automatic Conversion shall occur without delay upon the occurrence of a Capital Adequacy Trigger Event.

The Conversion Shares shall initially be registered in the name of the Conversion Shares Depository (which shall hold the Conversion Shares on behalf of the Holders) or the relevant recipient in accordance with the terms of the Securities and each Holder shall be deemed to have irrevocably directed the Issuer to issue the Conversion Shares corresponding to the conversion of its holding of Securities to the Conversion Shares Depository (or to such other relevant recipient).



The Issuer shall immediately inform the PRA of the occurrence of a Capital Adequacy Trigger Event and shall deliver an Automatic Conversion Notice to the Trustee, the Principal Paying Agent and to the Holders.

**Effect of Automatic Conversion**

Following an Automatic Conversion, no Holder will have any rights against the Issuer with respect to the repayment of the principal amount of the Securities or the payment of interest or any other amount on or in respect of such Securities, which liabilities of the Issuer shall be irrevocably and automatically released and, accordingly, the principal amount of the Securities shall equal zero at all times thereafter. Any interest in respect of an interest period ending on any Interest Payment Date falling between the date of a Capital Adequacy Trigger Event and the Conversion Date shall be deemed to have been cancelled upon the occurrence of such Capital Adequacy Trigger Event and shall not be due and payable.

Following the issuance of the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient in accordance with the terms of the Securities, as applicable) on the Conversion Date, the Securities shall remain in existence until the applicable Cancellation Date for the sole purpose of evidencing (a) the Holder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depository (or such other relevant recipient) and (b) the Issuer's CSO Obligations, if any. The Issuer currently expects that beneficial interests in the Securities will be transferable until the Suspension Date and that any trades in the Securities would clear and settle through the Clearing Systems until such date. However, there is no guarantee that an active trading market will exist for the Securities following the Automatic Conversion. The Securities will cease to be admitted to trading on the SIX Swiss Exchange after the Suspension Date.

Provided that the Issuer issues the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient as described herein) in accordance with the terms of the Securities, with effect from the Conversion Date, Holders shall have recourse only to the Conversion Shares Depository (or to such other relevant recipient, as applicable) for the delivery to them of Conversion Shares or, if the Issuer elects that a Conversion Shares Offer be made as described under "*—Conversion Shares Offer*" below, of any Conversion Shares Offer Consideration to which such Holders are entitled as described herein.

The Securities are not convertible into Conversion Shares at the option of the Holders at any time.

**Automatic Conversion Procedure**

If a Capital Adequacy Trigger Event has occurred, the Issuer shall deliver an Automatic Conversion Notice to the Trustee, the Principal Paying Agent and to the Holders as soon as practicable after such time.

Notwithstanding Condition 16 (*Notices*), the date on which the Automatic Conversion Notice shall be deemed to have been given shall be the date on which it is dispatched by the Issuer to the Trustee and the Holders.

**Conversion Shares**

The number of Conversion Shares to be issued to the Conversion Shares Depository on the Conversion Date shall be determined by dividing the aggregate principal amount of the Securities outstanding immediately prior to the Automatic Conversion on the Conversion Date by the Conversion Price rounded down, if necessary, to the nearest whole number of Conversion Shares. Fractions of Conversion Shares will not be issued following an Automatic Conversion and no cash payment will be made in lieu thereof.

The number of Conversion Shares to be held by the Conversion Shares

Depository for the benefit of each Holder shall be the number of Conversion Shares thus calculated divided by the aggregate amount of the Authorised Denomination of the Securities held by such Holder on the Conversion Date rounded down, if necessary, to the nearest whole number of Conversion Shares.

**Conversion Shares Offer** No later than 10 business days following the Conversion Date, the Issuer may, in its sole and absolute discretion, elect that the Conversion Shares Depository make an offer of all or some of the Conversion Shares to all or some of the Issuer's ordinary shareholders at such time at a cash price per Conversion Share equal to the Conversion Price, subject as provided in "*Terms and Conditions of the Securities – Automatic Conversion – Conversion Share Offer*" (the "**Conversion Shares Offer**"). The Issuer may, on behalf of the Conversion Shares Depository, appoint a Conversion Shares Offer Agent to act as placement or other agent to facilitate the Conversion Shares Offer. The Issuer will deliver a Conversion Shares Offer Notice to the Trustee directly and to the Holders within 10 business days following the Conversion Date specifying whether or not it has elected that a Conversion Shares Offer be conducted. If so elected, the Conversion Shares Offer Period, during which the Conversion Shares Offer may be made, shall end no later than 40 business days after the delivery of the Conversion Shares Offer Notice.

The Issuer reserves the right, in its sole and absolute discretion, to terminate the Conversion Shares Offer at any time during the Conversion Shares Offer Period by providing at least three business days' notice to the Trustee directly and to Holders.

Upon completion of the Conversion Shares Offer, the Issuer or the Conversion Shares Depository will provide notice to the Trustee and the Holders of the composition of the Conversion Shares Offer Consideration (and of the deductions to the cash component, if any, of the Conversion Shares Offer Consideration (as set out in the definition of Conversion Shares Offer Consideration)) per £1,000 denomination of the Securities.

In the Barclays PLC Notice of Annual General Meeting dated 2 March, 2015, the Issuer informed its shareholders of its intention to include in the terms of securities such as the Securities, if permitted by law and regulation, a mechanism providing for a conversion share offer such as that described above. The Conversion Shares Offer may be conducted at the election of the Issuer, in its sole and absolute discretion, on the terms described above. The Issuer currently expects that in determining whether or not a Conversion Shares Offer shall be conducted and, if one is to be conducted, how and to whom such Conversion Shares Offer shall be made, the directors of the Issuer would, in accordance with their duties, have regard to a variety of matters, including, without limitation, the interests of the Issuer's shareholders, taken as a whole, and the potential impact of a Conversion Shares Offer on the Issuer's financial stability. Further, neither the occurrence of a Capital Adequacy Trigger Event nor, following the occurrence of a Capital Adequacy Trigger Event, the election (if any) by the Issuer to undertake a Conversion Shares Offer on the terms set out herein, shall preclude the Issuer from undertaking a rights issue at any time on such terms as the Issuer deems appropriate, at its sole discretion, including, for the avoidance of doubt, the offer of ordinary shares at or below the Conversion Price.

**Settlement Procedures:** The Conversion Shares or the Conversion Shares Offer Consideration, as applicable, will be delivered to Holders pursuant to the procedures set forth in "*Terms and Conditions of the Securities—Automatic Conversion—Settlement Procedure*" below and (a) the Conversion Shares or Conversion Share component, if any, of any Conversion Shares Offer Consideration, as

applicable, will be delivered to Holders on the applicable Settlement Date, (b) the cash component, if any, of any Conversion Shares Offer Consideration will be paid to the Holders by (i) sterling cheque drawn on a bank in London and mailed to their address shown on the Register on or around the date on which the Conversion Shares Offer Period ends, or (ii) if the relevant Conversion Shares Settlement Notice is delivered to the Conversion Shares Depository before the end of the Conversion Shares Offer Period, by transfer, on or around the date on which the Conversion Shares Offer Period ends, to such sterling account maintained by the payee with a bank in London as the Holders may direct in such notice and (c) the Securities shall be cancelled on the applicable Cancellation Date.

The Issuer expects that, on the Suspension Date, each of the Clearing Systems shall block all positions relating to the Securities held in such Clearing System, which will suspend all clearance and settlement of transactions in the Securities through such Clearing System. As a result, Holders will not be able to settle the transfer of any Securities through such Clearing System following the Suspension Date with respect to such Clearing System, and any sale or other transfer of the Securities that a Holder may have initiated prior to the Suspension Date with respect to such Clearing System that is scheduled to match or settle after the Suspension Date will be rejected by such Clearing System and will not be matched or settled through such Clearing System.

**Defaults and Remedies** The remedies under the Securities are more limited than those typically available to the Issuer's unsubordinated creditors. The sole remedy against the Issuer available for recovery of amounts owing in respect of any non-payment of any amount that has become due and payable under the Securities is, subject to certain conditions, for the Trustee to institute proceedings in England (or such other jurisdiction in which the Issuer may be organised) (but not elsewhere) for the winding-up of the Issuer and/or prove in the winding-up of the Issuer and/or claim in the Issuer's liquidation or administration.

**Form of the Securities** The Securities will be issued in registered form in denominations of £200,000 and integral multiples of £1,000 in excess thereof. The Securities will be represented by a global certificate deposited with a common depository for Clearstream, Luxembourg and/or Euroclear and registered in the name of such common depository or its nominee. The Issuer will not issue individual certificates except in limited circumstances set out under "*Forms of the Securities*" below.

**ISIN** XS1274156097

**Common Code** 127415609

**Swiss Security Number** 29169051

**Listing and Trading** Application has been made for the Securities to be provisionally admitted to trading on the main standard of the SIX Swiss Exchange from 11 August 2015. Application will be made to the SIX Swiss Exchange for listing of the Securities. The Securities will cease to be admitted to trading on the SIX Swiss Exchange after the third dealing day prior to the date on which the Securities are fully redeemed or after the Suspension Date, as applicable, in accordance with the terms of the Securities. This Offering Circular is a listing prospectus according to the listing rules of the SIX Swiss Exchange for the listing of the Securities. (This Offering Circular is an advertisement and not a prospectus for the purposes of EU Directive 2003/71/EU.)

**Governing Law** The Securities and the Trust Deed and all non-contractual obligations arising

out of or in connection with them will be governed by English law.

## RISK FACTORS

*Investing in the Securities involves significant risks. Investors should reach their own investment decision only after consultation with their own financial and legal advisers about risks associated with an investment in the Securities and the suitability of investing in the Securities in light of the particular characteristics and terms of the Securities and of the investors' particular financial circumstances. As part of making an investment decision, an investor should make sure it thoroughly understands the Securities' terms, such as the provisions governing an Automatic Conversion (including, in particular, the circumstances under which a Capital Adequacy Trigger Event may occur), that interest is due and payable only at the sole discretion of the Issuer, and that there is no scheduled repayment date for the principal of the Securities. An investor should also carefully consider the risk factors and the other information contained in this Offering Circular, the Joint Annual Report of the Issuer and the Bank on Form 20-F for the year ended 31 December 2014, the 2015 Interim Results Announcement and the other information included and incorporated by reference in this Offering Circular before deciding to invest in the Securities and it should evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect an investment in the Securities and an investor's ability to bear the loss of all or a portion of an investor's investment. If any of the risks set out herein materialises, the Issuer's business, financial condition and results of operations could suffer, the Securities could be subject to Automatic Conversion, and the trading price and liquidity of the Securities and/or the Issuer's ordinary shares could decline, in which case an investor could lose some or all of the value of its investment.*

### **Risks Relating to the Securities**

***The Securities have no scheduled maturity and Holders do not have the right to cause the Securities to be redeemed or otherwise accelerate the repayment of the principal amount of the Securities except in very limited circumstances.***

The Securities are perpetual securities and have no fixed maturity date or fixed redemption date. Accordingly, the Issuer is under no obligation to repay all or any part of the principal amount of the Securities, the Issuer has no obligation to redeem the Securities at any time and Holders have no right to call for their redemption or otherwise accelerate the repayment of the principal amount of the Securities (except in the very limited circumstances of automatic acceleration following a Winding-up Event as provided under "*Terms and Conditions of the Securities—Enforcement Events and Remedies*" below).

***Interest on the Securities will be due and payable only at the sole and absolute discretion of the Issuer, and the Issuer may cancel interest payments (in whole or in part) at any time. Cancelled interest shall not be due and shall not accumulate or be payable at any time thereafter and a Holder shall have no rights thereto.***

Interest on the Securities will be due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any Interest Payment Date. Interest will only be due and payable on an Interest Payment Date to the extent it is not cancelled in accordance with the terms of the Securities. If the Issuer does not make an interest payment on the relevant Interest Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid), and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable.

Because the Securities are intended to qualify as additional tier 1 capital under CRD IV, the Issuer may cancel (in whole or in part) any interest payment on the Securities at its discretion and may pay dividends on its ordinary or preference shares notwithstanding such cancellation. In addition, the Issuer may without restriction use funds that could have been applied to make such cancelled payments to meet its other obligations as they become due.

Cancelled interest shall not be due and shall not accumulate or be payable at any time thereafter, and Holders shall have no rights thereto or to receive any additional interest or compensation as a result of such cancellation. Furthermore, no cancellation of interest in accordance with the terms of the Securities shall constitute a default in payment or otherwise under the terms of the Securities. The Issuer shall provide notice of any cancellation of interest (in whole or in part) to the Holders and to the Trustee and

Principal Paying Agent as soon as possible. If practicable, the Issuer shall endeavour to provide such notice at least five business days prior to the relevant Interest Payment Date. However, failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation of interest, or give Holders any rights as a result of such failure.

Barclays' current dividend policy provides that in determining any proposed dividend and the appropriate payout ratio, the Issuer's Board of Directors (the "**Board**") will consider, among other things, the expectation of servicing more senior securities. The Securities are senior in rank to ordinary shares. It is the Board's current intention that, whenever exercising its discretion to declare ordinary share dividends, or its discretion to cancel interest on the Securities, the Board will take into account the relative ranking of these instruments in the Issuer's capital structure. However, the Board may at any time depart from this policy at its sole discretion.

***In addition to the Issuer's right to cancel (in whole or in part) interest payments at any time, the terms of the Securities also restrict the Issuer from making interest payments on the Securities in certain circumstances, in which case such interest shall be deemed to have been cancelled. Interest that is deemed cancelled shall not be due and shall not accumulate or be payable at any time thereafter and Holders shall have no rights thereto.***

Subject to the extent permitted in the following paragraph in respect of partial interest payments, the Issuer shall not make an interest payment on the Securities on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date) if:

- (a) the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of (i) all distributions or interest payments made or declared by the Issuer since the end of the last financial year and prior to such Interest Payment Date on or in respect of any Parity Securities, the Securities and any Junior Securities and (ii) all distributions or interest payments payable by the Issuer (and not cancelled or deemed cancelled) on such Interest Payment Date (x) on the Securities and (y) on or in respect of any Parity Securities, in the case of each of (i) and (ii), excluding any payments already accounted for in determining the Distributable Items; or
- (b) the Solvency Condition is not satisfied in respect of such interest payment.

Although the Issuer may, in its sole discretion, elect to make a partial interest payment on the Securities on any Interest Payment Date, it may only do so to the extent that such partial interest payment may be made without breaching the restrictions in paragraphs (a) and (b) above. In addition, the Issuer may elect to make a full or partial interest payment with respect to a Parity Security without making a full or partial interest payment on the Securities on any Interest Payment Date.

The Issuer shall be responsible for determining compliance with this restriction and neither the Trustee nor any Agent shall be required to monitor such compliance or to perform any calculations in connection therewith.

Any interest deemed cancelled on any relevant Interest Payment Date shall not be due and shall not accumulate or be payable at any time thereafter, and Holders shall have no rights thereto or to receive any additional interest or compensation as a result of such deemed cancellation. Furthermore, no cancellation of interest in accordance with the terms of the Securities shall constitute a default in payment or otherwise under the terms of the Securities. The Issuer shall provide notice of any deemed cancellation of interest (in whole or in part) to the Holders and to the Trustee and Principal Paying Agent as soon as possible. If practicable, the Issuer shall endeavour to provide such notice at least five business days prior to the relevant Interest Payment Date. However, failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation of interest, or give Holders any rights as a result of such failure.

***CRD IV imposes capital requirements that will restrict the Issuer's ability to make discretionary distributions in certain circumstances, in which case the Issuer may reduce or cancel interest payments on the Securities. In addition, the PRA has broad powers to impose prudential requirements on the Issuer which may include requiring the Issuer to limit or cancel interest on the Securities***

CRD IV imposes capital buffer requirements that are additive to the Pillar 1 "own funds" requirement and are required to be met with common equity tier 1 capital. The capital buffers, as currently implemented in the U.K., are: (i) the capital conservation buffer, (ii) the institution-specific counter-cyclical buffer, (iii) the global systemically important institutions buffer and (iv) the systemic risk buffer. Subject to a transitional period, the capital conservation buffer shall apply to the Group from 1 January 2016 and some or all of the other buffers may be applicable to the Group from time to time as determined by a designated authority in the U.K. (see "*Risks arising from regulatory change and scrutiny - (b) Additional PRA supervisory expectations, including changes to CRD IV*").

Furthermore, national supervisors may require additional capital to be held by an institution to cover its idiosyncratic risks which the supervisor assesses are not fully captured by the Pillar 1 "own funds" requirement. This additional capital requirement, referred to as "Pillar 2A", derives from the Issuer's individual capital guidance, which is a point in time assessment that, in respect of U.K. firms, is made by the PRA, at least annually, and is expected to vary over time. As at 30 June 2015, the Group's Pillar 2A requirement was equivalent to 2.8 per cent. of Risk Weighted Assets. Under current PRA requirements, the Pillar 2A must be met with at least 56 per cent. common equity tier 1 capital. In addition, the capital that firms use to meet their minimum requirements (Pillar 1 "own funds" and "Pillar 2A") cannot be counted towards meeting the "combined buffer requirement" (which is described below), meaning that the "combined buffer requirement" will effectively be applied above both the Pillar 1 "own funds" and "Pillar 2A" requirements.

Under Article 141 (*Restrictions on distributions*) of the Directive that is part of CRD IV, member states of the European Union (the "EU") must require that institutions that fail to meet the "combined buffer requirement" (broadly, as implemented in the U.K., the combination of the capital conservation buffer, the institution-specific counter-cyclical buffer and the higher of (depending on the institution), the systemic risk buffer and the global systemically important institutions buffer, in each case as applicable to the institution) will be subject to restricted "discretionary payments" (which are defined broadly by CRD IV as payments relating to common equity tier 1, variable remuneration and payments on additional tier 1 instruments).

The "combined buffer requirement", and the associated restrictions under Article 141 (*Restrictions on distributions*) of the Directive that is part of CRD IV, as implemented in the U.K. (the "**Article 141 Restrictions**"), are scheduled to transition in from 1 January 2016 at a rate of 25 per cent. per annum. In the event of a breach of the "combined buffer requirement", the Article 141 Restrictions will be scaled according to the extent of the breach of the "combined buffer requirement" and calculated as a percentage of the profits of the institution since the last decision on the distribution of profits or "discretionary payment" of the institution. Such calculation will result in a "maximum distributable amount" in each relevant period. As an example, the scaling is such that in the bottom quartile of the "combined buffer requirement", no "discretionary distributions" will be permitted to be paid. As a consequence, in the event of breach of the combined buffer requirement (as applicable at Group level) the Issuer's discretionary payments will be restricted and the Issuer may exercise its discretion to cancel (in whole or in part) interest payments in respect of the Securities.

In addition to the Pillar 1 "own funds" requirement, the CRD IV buffers and the "Pillar 2A" requirement described above, there are additional tools that the PRA and other relevant authorities in the U.K. have, or are expected to have, available to them to require U.K. firms to hold additional capital to address micro-prudential or macro-prudential risks as assessed by the relevant authorities in the U.K. These include: the "PRA buffer", described below, which may be assessed by the PRA to cover risks over a forward-looking planning horizon, including with regard to firm-specific stresses; and "sectoral capital requirements", which is a macro-prudential tool proposed to be available to the Financial Policy Committee of the Bank of England in the U.K. as a means for the Financial Policy Committee temporarily to increase firms' capital requirements on exposures to specific sectors. Some of these and other measures remain subject to on-going review and there remains, therefore, considerable uncertainty as to how the additional capital requirements could be applied, including with respect to their interaction with the "combined buffer requirement" and the Article 141 Restrictions.

The PRA implementation of Article 141 (*Restrictions on distributions*) of the Directive that is part of CRD IV was published on 30 April 2014 in the Policy Statement PS3/14 (*Implementing CRD IV: Capital buffers*) and is now included in the PRA Rulebook (Chapter entitled "*Capital Buffers*"). However, the interaction of such restriction with the capital requirements, buffers and macro-prudential tools referred to above, remains uncertain in many respects. Such uncertainty is expected to subsist until the final implementation and application of the relevant rules. In this regard, the PRA published on 29 July 2015 a Policy Statement PS17/15 (*Assessing capital adequacy under Pillar 2*) together with related rules, supervisory statements and a statement of policy, which include:

- (a) a Supervisory Statement 31/15 (*The Internal Capital Adequacy Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP)*), which sets out, among other things, (i) the expectations the PRA has in relation to the ICAAP and the requirements set out in the Internal Capital Adequacy Assessment part of the PRA Rulebook and (ii) guidelines on the supervisory review and evaluation process ("**SREP**"); and
- (b) a Statement of Policy (*The PRA's methodologies for setting Pillar 2 capital*), which (i) sets out the methodologies the PRA will use to inform the setting of Pillar 2 capital and (ii) introduces, from 1 January 2016, a new "PRA buffer" (to replace the current capital planning buffer), which, if imposed, will be in addition to the CRD IV combined buffer requirement, and which by 1 January 2019 must be met with 100 per cent. common equity tier 1 capital. Failure to meet the PRA buffer, if one were imposed, could result in the PRA requiring the Issuer to prepare a capital restoration plan. Such capital restoration plan may impose restrictions on discretionary payments, which may result in the exercise of the Issuer's discretion to cancel (in whole or in part) interest payments in respect of the Securities.

Separately, certain regulatory proposals currently in development may restrict the Issuer's ability to make discretionary distributions in certain circumstances, in which case the Issuer may reduce or cancel interest payments on the Securities. For example, the BRRD (as defined herein) requires member states to enable their resolution authorities to set a minimum requirement for own funds and eligible liabilities ("**MREL**") for banks in their jurisdiction. The Bank of England is required to use its power of direction under section 3A(4) of the Banking Act 2009, as amended (the "**Banking Act**") to implement MREL requirements by 1 January 2016, which will need to take into account the regulatory technical standards developed by the EBA. The EBA has stated that it expects these technical standards to be broadly compatible with the proposed term sheet published by the Financial Stability Board (the "**FSB**") on the total loss absorbing capacity ("**TLAC**") requirements for global systemically important banks, such as Barclays. In particular, the FSB's TLAC proposal suggests that capital buffers and any additional capital requirements (such as the Pillar 2A requirements) are intended to be met separately from and additionally to the TLAC requirements. If U.K. authorities implement the MREL requirement in accordance with the current FSB's TLAC proposal, the Group's capital buffer requirements will effectively be applied not only above the Pillar 1 "own funds" and "Pillar 2A" requirements but also above the MREL requirements.

Moreover, the PRA has a broad power under section 55M of the Financial Services and Markets Act 2000 to impose requirements on the Issuer, the effect of which could be to restrict or prohibit payments of interest on the Securities, which is most likely to materialise if at any time the Group is failing, or is expected to fail, to meet its capital requirements. If the PRA imposes such a requirement, the Issuer will exercise its discretion to cancel (in whole or in part, as required by the PRA) interest payments in respect of the Securities.

The Group's capital resources and requirements are, by their nature, calculated by reference to a number of factors, any one of which or combination of which may not be easily observable or capable of calculation by investors. See "*The circumstances surrounding or triggering an Automatic Conversion are unpredictable, and there are a number of factors that could affect the Group's fully loaded CET1 Ratio.*" for examples of the type of factors that can affect the Group's capital resources and requirements and how they are determined. In addition, changes in the application of CRD IV or any changes to such rules may also affect the Group's capital resources and requirements and how they are determined, see "*Future regulatory changes to the calculation of common equity tier 1 capital and/or risk weighted assets may negatively affect the Group's fully loaded CET1 Ratio and thus increase the risk of a Capital Adequacy Trigger Event, which will lead to an Automatic Conversion, as a result of which Holders could lose all or part of the value of their investment in the Securities.*" Any such changes may increase the risk of the Issuer being bound by Article 141 Restrictions and, in turn, the risk of the Issuer exercising its discretion to cancel interest payments in respect of the Securities. Holders may not be able to predict accurately the



proximity of the risk of discretionary payments on the Securities being prohibited from time to time as a result of the operation of the Article 141 Restrictions and/or the exercise by the PRA of its broad powers to impose prudential requirements on the Issuer.

***As a holding company, the level of the Issuer's Distributable Items and its available funding may be affected by a number of factors. Insufficient Distributable Items or funding may restrict the Issuer's ability to make interest payments on the Securities.***

As a holding company, the level of the Issuer's Distributable Items is affected by a number of factors, principally its ability to receive funds, directly or indirectly, from its operating subsidiaries in a manner which creates Distributable Items for the Issuer. The Issuer is also reliant on the receipt of distributions from its subsidiaries for funding the Issuer's payment obligations. Consequently, the adequacy of the Issuer's Distributable Items and available funding, and therefore its ability to make interest payments on the Securities, are a function of its existing Distributable Items, future Group profitability and the ability of the Issuer's operating subsidiaries to distribute or dividend profits up the Group structure to the Issuer. In addition, the Issuer's Distributable Items available for making payments to Holders may also be adversely affected by the servicing of other instruments issued by the Issuer or by Group subsidiaries.

The level of the Issuer's Distributable Items may be further affected by changes to regulation or the requirements and expectations of applicable regulatory authorities. Any such potential changes, in particular the consequences of the implementation of the U.K. ring-fencing requirements which are expected to apply from January 2019, section 165 of the Dodd-Frank Act and requirements for the creation of intermediate holding companies ("IHC") in the United States by 1 July 2016 (each as discussed in risk factor "*Risk arising from regulatory change and scrutiny – structural reform*") or similar local capital or ring fencing requirements in other jurisdictions, could adversely affect the Issuer's Distributable Items in the future.

In addition, the ability of the Group's subsidiaries to make distributions and the Issuer's ability to receive distributions and other payments from its investments in other entities is subject to applicable local laws and other restrictions, including such subsidiaries' respective regulatory, capital and leverage requirements, statutory reserves, financial and operating performance and applicable tax laws. For example, the Bank is an institution regulated by the PRA and subject to the CRD IV regime, including capital and combined buffer requirements such as those described for the Group (see "*CRD IV imposes capital requirements that will restrict the Issuer's ability to make discretionary distributions in certain circumstances, in which case the Issuer may reduce or cancel interest payments on the Securities. In addition, the PRA has broad powers to impose prudential requirements on the Issuer which may include requiring the Issuer to limit or cancel interest on the Securities*"). In addition, the proposals on U.K. ring-fencing and the creation of a U.S. IHC structure may also result in similar requirements applying to other subsidiaries over time. Similarly, the implementation of TLAC requirements proposed by the FSB and/or the implementation of MREL under BRRD, may increase these requirements. Such laws and regulations could limit the payment of dividends, distributions and other payments to the Issuer by its subsidiaries, which could restrict the Issuer's available funding for meeting its obligations or funding other operations and may also restrict the Issuer's ability to maintain or increase its Distributable Items. These factors could, in turn, restrict the Issuer's ability to make interest payments on the Securities.

Further, the Issuer's Distributable Items and its available funding, and therefore its ability to make interest payments, may be adversely affected by the performance of the Group's business in general, factors affecting its financial position (including capital and leverage), the economic environment in which the Group operates and other factors outside of the Issuer's control. In addition, adjustments to earnings, as determined by the Board, may fluctuate significantly and may materially adversely affect Distributable Items. The Issuer shall not make an interest payment on the Securities on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date) if the level of Distributable Items is insufficient to fund that payment, as discussed in the risk factor "*—In addition to the Issuer's right to cancel (in whole or in part) interest payments at any time, the terms of the Securities also restrict the Issuer from making interest payments on the Securities in certain circumstances, in which case such interest shall be deemed to have been cancelled. Interest that is deemed cancelled shall not be due and shall not accumulate or be payable at any time thereafter and Holders shall have no rights thereto*" above. In addition, if the Issuer's ability to receive distributions from its subsidiaries is restricted and alternative sources of funding are not available, the Issuer may exercise its discretion to cancel interest payments in respect of the Securities (see "*Interest on the Securities will be due and payable only at the sole and absolute discretion of the*

*Issuer, and the Issuer may cancel interest payments (in whole or in part) at any time. Cancelled interest shall not be due and shall not accumulate or be payable at any time thereafter and a Holder shall have no rights thereto").*

***The Issuer is a holding company, which means that its right to participate in the assets of any of its subsidiaries (including those of the Bank) upon the liquidation of such subsidiaries may be subject to prior claims of some of such subsidiary's creditors and preference shareholders.***

The Issuer is a holding company that currently has no significant assets other than its loans to, and investments in the Bank. As a holder of ordinary shares in the Bank (or any of its subsidiaries), the Issuer's right to participate in the assets of the Bank (or any other subsidiary) if such subsidiary is liquidated will be subject to the prior claims of such subsidiary's creditors and preference shareholders, except where the Issuer is a creditor with claims that are recognised to be ranked ahead of or *pari passu* with such claims of other of the subsidiary's creditors and/or preference shareholders against such subsidiary. For example, the Issuer has in the past made, and may continue to make, loans to the Bank with the proceeds received from the Issuer's issuance of debt instruments. Such loans to the Bank by the Issuer have, to date, had a legal ranking in the insolvency of the Bank that corresponds to the legal ranking of such debt instruments in the insolvency of the Issuer. However, the Issuer retains its absolute discretion to restructure such loans to, and any other investments in, the Bank at any time and for any purpose including, without limitation, in order to provide different amounts or types of capital or funding to the Bank or other Group subsidiaries, as part of wider changes made to the Group's corporate structure for the purposes of structural reform, or otherwise as part of meeting regulatory requirements, such as the implementation of MREL in respect of the Bank or other Group subsidiaries. A restructuring of a loan or investment made by the Issuer in a Group subsidiary could include changes to any or all features of such loan or investment, including its legal or regulatory form and how it would rank in the insolvency hierarchy as a claim in the liquidation or administration of the subsidiary. Any restructuring of the Issuer's loans to, and investments in, the Bank or other Group subsidiaries may be implemented by the Issuer without prior notification to, or consent of, Holders. In addition, the terms of some loans or investments made by the Issuer in capital instruments issued by the Bank or other Group subsidiaries may contain contractual mechanisms that, upon the occurrence of a trigger related to the prudential or financial condition of such subsidiary result in a change in the ranking and type of claim the Issuer has against such subsidiary. Such loans to, and investments in, the Bank or other Group subsidiaries may also be subject to the statutory write down and conversion powers or the bail-in tool – see "*Regulatory action in the event a bank or investment firm in the Group is failing or likely to fail could materially adversely affect the value of the Securities*". Any changes in the legal or regulatory form and/or ranking of the loan or investment could also impact its treatment in resolution.

For the reasons described above, if the Bank or any other Group subsidiary were to be wound up, liquidated or dissolved, (i) the Holders would have no right to proceed against the assets of the Bank or such other subsidiary, and (ii) the liquidator of the Bank or such other subsidiary would first apply the assets of the Bank or such other subsidiary to settle the claims of the creditors of the Bank or such other subsidiary, including holders (which may include the Issuer) of preference shares, other tier 1 capital instruments ranking ahead of the holders of ordinary shares of the Bank or such other subsidiary and tier 2 capital instruments of the Bank or such other subsidiary, before the Issuer, to the extent it is as an ordinary shareholder of the Bank or such other subsidiary, would be entitled to receive any distributions from the Bank or such other subsidiary in respect of such ordinary shares.

***The Securities may be traded with accrued interest, but under certain circumstances described above, such interest may be cancelled and not paid on the relevant Interest Payment Date.***

The Securities may trade, and/or the prices for the Securities may appear, on the SIX Swiss Exchange and in other trading systems with accrued interest. If this occurs, purchasers of Securities in the secondary market will pay a price that includes such accrued interest upon purchase of the Securities. However, if a payment of interest on any Interest Payment Date is cancelled or deemed cancelled (in each case, in whole or in part) as described herein and thus is not due and payable, purchasers of such Securities will not be entitled to that interest payment (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment, the portion of such interest payment not paid) on the relevant Interest Payment Date.

***The interest rate on the Securities will reset on each Reset Date.***

The interest rate on the Securities will initially be 7.875 per cent. per annum. However, the interest rate will be reset on each Reset Date such that from (and including) each Reset Date, the applicable per annum interest rate will be equal to the sum of the applicable Mid-Market Swap Rate on the relevant Reset Determination Date immediately preceding the relevant Reset Date and 6.099 per cent. The interest rate following any Reset Date may be less than the initial interest rate and/or the interest rate that applies immediately prior to such Reset Date, which could affect the amount of any interest payments under the Securities and so the market value of the Securities.

***The Securities may be subject to an Automatic Conversion and upon the occurrence of such an event, Holders could lose all or part of the value of their investment in the Securities.***

A Capital Adequacy Trigger Event will occur if the Issuer determines at any time that the Group's fully loaded CET1 Ratio has fallen below 7.00 per cent. Upon the occurrence of a Capital Adequacy Trigger Event, an Automatic Conversion will occur on the Conversion Date, at which point all of the Issuer's obligations under the Securities (other than the CSO Obligations, if any) shall be irrevocably and automatically released in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depository to be held on behalf of the Holders (or to the relevant recipient in accordance with terms of the Securities), and under no circumstances shall such released obligations be reinstated. As a result, Holders could lose all or part of the value of their investment in the Securities, as, following an Automatic Conversion, Holders will receive only (i) the Conversion Shares (if the Issuer does not elect that a Conversion Shares Offer be made) or (ii) the Conversion Shares Offer Consideration, which shall comprise Conversion Shares and/or cash depending on the results of the Conversion Shares Offer (if the Issuer elects that a Conversion Shares Offer be made), and the realisable value of any Conversion Shares received may be significantly less than the Conversion Price. In addition, the realisable value of any Conversion Shares received could be substantially lower than that implied by the price paid for the Securities at the time of their purchase. See "*Terms and Conditions of the Securities—Automatic Conversion*" for more information. See also "*—Holders may receive Conversion Shares Offer Consideration instead of Conversion Shares upon a Capital Adequacy Trigger Event and would not know the composition of any Conversion Shares Offer Consideration until the end of the Conversion Shares Offer Period.*", "*—As the Conversion Price is fixed at the time of issue of the Securities, Holders will bear the risk of fluctuations in the market price of the Conversion Shares.*" and "*The Issuer's obligations under the Securities will be unsecured and subordinated, and the rights of the holders of Conversion Shares will be further subordinated.*"

Furthermore, upon the occurrence of an Automatic Conversion, the Holders will not be entitled to any compensation in the event of any improvement in the Group's CET1 Ratio after the Conversion Date.

For more information, see "*—The circumstances surrounding or triggering an Automatic Conversion are unpredictable, and there are a number of factors that could affect the Group's fully loaded CET1 Ratio*", "*Regulatory action in the event of a bank or investment firm in the Group is failing or likely to fail could materially adversely affect the value of the Securities*" and "*—Future regulatory changes to the calculation of common equity tier 1 capital and/or risk weighted assets may negatively affect the Group's fully loaded CET1 Ratio and thus increase the risk of a Capital Adequacy Trigger Event, which will lead to an Automatic Conversion, as a result of which Holders could lose all or part of the value of their investment in the Securities.*"

***As the Conversion Price is fixed at the time of issue of the Securities, Holders will bear the risk of fluctuations in the market price of the Conversion Shares.***

Because a Capital Adequacy Trigger Event will only occur at a time when the Group's fully loaded CET1 Ratio has deteriorated significantly, a Capital Adequacy Trigger Event may be accompanied by a deterioration in the market price of the Issuer's ordinary shares, which may be expected to continue after the occurrence of the Capital Adequacy Trigger Event. Therefore, following a Capital Adequacy Trigger Event, the realisable value of the Conversion Shares may be below the Conversion Price. The Conversion Price is fixed at the time of issue of the Securities at £1.65 per Conversion Share, and is subject to certain anti-dilution adjustments, as described under "*—Holders do not have anti-dilution protection in all circumstances.*" below. As a result, the Conversion Price may not reflect the market price of ordinary shares of the Issuer, which could be significantly lower than the Conversion Price.

In addition, there may be a delay in a Holder receiving its Conversion Shares following a Capital Adequacy Trigger Event (in particular if the Issuer elects that a Conversion Shares Offer be conducted, as the Conversion Shares Offer Period may last up to 40 business days after the delivery of the Conversion Shares Offer Notice), during which time the market price of the ordinary shares of the Issuer may further decline.

***Issuance of the Conversion Shares to the Conversion Shares Depository shall constitute a complete, irrevocable and automatic release of all of the Issuer's obligations in respect of the Securities (other than the CSO Obligations, if any).***

Upon an Automatic Conversion, the Issuer shall issue the Conversion Shares to the Conversion Shares Depository, which will hold the Conversion Shares on behalf of the Holders. Issuance of the Conversion Shares to the Conversion Shares Depository shall constitute a complete, irrevocable and automatic release of all of the Issuer's obligations in respect of the Securities (other than the CSO Obligations, if any). Provided that the Issuer issues the Conversion Shares to the Conversion Shares Depository in accordance with the terms of the Securities, with effect from the Conversion Date, Holders shall have recourse only to the Conversion Shares Depository for the delivery to them of Conversion Shares or, if the Issuer elects that a Conversion Shares Offer be made, of any Conversion Shares Offer Consideration to which such Holders are entitled.

In addition, the Issuer has not as at the Issue Date appointed a Conversion Shares Depository and the Issuer may not be able to appoint a Conversion Shares Depository if an Automatic Conversion occurs. In such a scenario, the Issuer would inform Holders via each of the Clearing Systems or the Trustee or otherwise, as practicable, of any alternative arrangements in connection with the issuance and/or delivery of the Conversion Shares and such arrangements may be disadvantageous to, and more restrictive on, the Holders. For example, such arrangements may involve Holders having to wait longer to receive their Conversion Shares than would be the case under the arrangements expected to be entered into with a Conversion Shares Depository. Under these circumstances, the Issuer's issuance of the Conversion Shares to the relevant recipient in accordance with these alternative arrangements shall constitute a complete, irrevocable and automatic release of all of the Issuer's obligations in respect of the Securities (other than the CSO Obligations, if any).

***Holdes may receive Conversion Shares Offer Consideration instead of Conversion Shares upon a Capital Adequacy Trigger Event and would not know the composition of any Conversion Shares Offer Consideration until the end of the Conversion Shares Offer Period.***

Holdes may not ultimately receive Conversion Shares upon a Capital Adequacy Trigger Event because the Issuer may elect, in its sole and absolute discretion, that a Conversion Shares Offer be conducted by the Conversion Shares Depository.

In the Barclays PLC Notice of Annual General Meeting dated 2 March 2015, the Issuer informed its shareholders of its intention to include in the terms of securities such as the Securities, if permitted by law and regulation, a mechanism providing for a conversion share offer such as that provided above. The Conversion Shares Offer may be conducted at the election of the Issuer, in its sole and absolute discretion, on the terms set out herein. The Issuer currently expects that in determining whether or not a Conversion Shares Offer shall be conducted and, if one is to be conducted, how and to whom such Conversion Shares Offer shall be made, the directors of the Issuer would, in accordance with their duties, have regard to a variety of matters, including, without limitation, the interests of the Issuer's shareholders, taken as a whole, and the potential impact of a Conversion Shares Offer on the Issuer's financial stability.

If the Issuer elects, in its sole and absolute discretion, that a Conversion Shares Offer be conducted by the Conversion Shares Depository and all of the Conversion Shares are sold in the Conversion Shares Offer, Holders shall be entitled to receive, in respect of each Security, the *pro rata* share of the cash proceeds from the sale of the Conversion Shares attributable to such Security. If some but not all of the Conversion Shares are sold in the Conversion Shares Offer, Holders shall be entitled to receive, in respect of each Security, (a) the *pro rata* share of the cash proceeds from the sale of the Conversion Shares attributable to such Security together with (b) the *pro rata* share of the Conversion Shares not sold pursuant to the Conversion Shares Offer attributable to such Security rounded down to the nearest whole number of Conversion Shares. In each case, the cash component of any Conversion Shares Offer Consideration shall be subject to deduction of an amount equal to the *pro rata* share of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may

arise or be paid as a consequence of the transfer of Conversion Shares to the Conversion Shares Depository as a consequence of the Conversion Shares Offer.

No interest or other compensation is payable in respect of the period elapsed from the Conversion Date to the date of delivery of cash sums or Conversion Shares in the circumstances described above.

Furthermore, the Issuer or the Conversion Shares Depository will provide notice of the results of any Conversion Shares Offer only at the end of the Conversion Shares Offer Period. Accordingly, Holders would not know the composition of the Conversion Shares Offer Consideration to which they may be entitled until the end of the Conversion Shares Offer Period.

***Following an Automatic Conversion, the Securities will remain in existence until the applicable Cancellation Date for the sole purpose of evidencing the holder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depository and the Issuer's CSO Obligations, if any, and the rights of the Holders will be limited accordingly.***

Following an Automatic Conversion, the Securities will remain in existence until the applicable Cancellation Date for the sole purpose of evidencing (a) the holder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depository and (b) the Issuer's CSO Obligations, if any. All obligations of the Issuer under the Securities (except for the CSO Obligations, if any) shall be irrevocably and automatically released in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient in accordance with the terms of the Securities) on the Conversion Date, and under no circumstances shall such released obligations be reinstated. The Securities shall be cancelled on the applicable Cancellation Date.

Although the Issuer currently expects that beneficial interests in the Securities will be transferable between the Conversion Date and the Suspension Date, there is no guarantee that an active trading market will exist for the Securities following the Automatic Conversion. Accordingly, the price received for the sale of any beneficial interest under a Security during this period may not reflect the market price of such Security or the Conversion Shares. Furthermore, transfers of beneficial interests in the Securities may be restricted following the Conversion Date, for example if the clearance and settlement of transactions in the Securities is suspended by a Clearing System at an earlier time than currently expected. In such a situation it may not be possible to transfer beneficial interests in the Securities in such Clearing System and trading in the Securities may cease through such Clearing System.

In addition, the Issuer has been advised by each of the Clearing Systems that they will suspend all clearance and settlement of transactions in the Securities on the Suspension Date. As a result, Holders will not be able to settle the transfer of any Securities through such Clearing System following the Suspension Date, and any sale or other transfer of the Securities that a Holder may have initiated prior to the Suspension Date with respect to such Clearing System that is scheduled to match or settle after the Suspension Date will be rejected by such Clearing System and will not be matched or settled through such Clearing System.

The Securities will cease to be admitted to trading on the SIX Swiss Exchange after the Suspension Date.

Moreover, although the Holders will become beneficial owners of the Conversion Shares upon the issuance of such Conversion Shares to the Conversion Shares Depository and the Conversion Shares will be registered in the name of the Conversion Shares Depository (or the relevant recipient in accordance with the terms of the Securities), no holder will be able to sell or otherwise transfer any Conversion Shares until such time as they are finally delivered to such holder and registered in their name.

***Holders will have to submit a Conversion Shares Settlement Notice in order to receive delivery of the Conversion Shares or the Conversion Share Component, if any, of any Conversion Shares Offer Consideration, as applicable.***

In order to obtain delivery of the relevant Conversion Shares or the Conversion Share component, if any, of any Conversion Shares Offer Consideration, as applicable, a Holder must deliver a Conversion Shares Settlement Notice (and the relevant Securities, if applicable) to the Conversion Shares Depository. The Conversion Shares Settlement Notice must contain certain information, including the holder's CREST account details. Accordingly, holders of Securities (or their nominee, custodian or other representative)

will have to have an account with CREST in order to receive the Conversion Shares or Conversion Share component, if any, of any Conversion Shares Offer Consideration, as applicable. If a Holder fails to properly complete and deliver a Conversion Shares Settlement Notice on or before the Notice Cut-off Date, the Conversion Shares Depository shall continue to hold the relevant Conversion Shares or Conversion Share component, if any, of any Conversion Shares Offer Consideration until a Conversion Shares Settlement Notice (and the relevant Securities, if applicable) is or are so delivered. However, the relevant Securities shall be cancelled on the Final Cancellation Date and any holder of Securities delivering a Conversion Shares Settlement Notice after the Notice Cut-off Date will have to provide evidence of its entitlement to the relevant Conversion Shares (or the relevant Conversion Shares component, if any, of any Conversion Shares Offer Consideration) satisfactory to the Conversion Shares Depository in its sole and absolute discretion in order to receive delivery of such Conversion Shares (or Conversion Share component of any Conversion Shares Offer Consideration).

***Holders do not have anti-dilution protection in all circumstances.***

The number of Conversion Shares to be issued to the Conversion Shares Depository upon an Automatic Conversion will be the aggregate principal amount of the Securities outstanding immediately prior to the Automatic Conversion on the Conversion Date divided by the Conversion Price (rounded down to the nearest whole number of Conversion Shares). The Conversion Price will be adjusted if there is a consolidation, reclassification or subdivision of the Issuer's ordinary shares, an issuance of ordinary shares in certain circumstances by way of capitalisation of profits or reserves, a rights issue, an Extraordinary Dividend or a Qualifying Takeover Event (but only in the situations and only to the extent provided in "*Terms and Conditions of the Securities—Adjustments to the Conversion Price*"). There is no requirement that there should be an adjustment for every corporate or other event that may affect the market price of the Conversion Shares. In particular, there will be no adjustment to the Conversion Price if a Takeover Event occurs that is not a Qualifying Takeover Event (because the Acquirer is not an Approved Entity or the New Conversion Condition is not satisfied). Furthermore, the adjustment events that are included are less extensive than those often included in the terms of convertible securities. Accordingly, the occurrence of events in respect of which no adjustment to the Conversion Price is made may adversely affect the value of the Securities.

***If a Takeover Event occurs, the Securities may be convertible into shares of an entity other than the Issuer or into unlisted shares.***

If a Takeover Event is a Qualifying Takeover Event, then following an Automatic Conversion the Securities shall become convertible or exchangeable into the Approved Entity Shares of the Acquirer at the New Conversion Price as provided under "*Terms and Conditions of the Securities—Adjustments to the Conversion Price—Qualifying Takeover Event*" below. There can be no assurance as to the nature of any such Acquirer, or of the risks associated with becoming an actual or potential shareholder in such Acquirer and, accordingly, a Qualifying Takeover Event may have an adverse effect on the value of the Securities.

If the Issuer's ordinary shares become delisted following a Takeover Event which is not a Qualifying Takeover Event or otherwise, there shall be no automatic adjustment to the terms of the Securities and the Securities will remain convertible into unlisted ordinary shares upon an Automatic Conversion. Unlisted shares may be more illiquid than listed shares and may have little or no resale value. In addition, if a Takeover Event is not a Qualifying Takeover Event because the Acquirer is a Governmental Entity, there can be no assurance as to whether the Securities would be convertible into, or exchangeable for, any securities or other instruments of the Acquirer or any other person or entity. Accordingly, a Takeover Event that is not a Qualifying Takeover Event is likely to have an adverse effect on Holders or the value of the Securities.

In addition, the Issuer has considerable discretion in determining whether a Qualifying Takeover Event has occurred. A Qualifying Takeover Event requires the New Conversion Condition to be satisfied. For the New Conversion Condition to be satisfied, among other requirements, the Issuer must determine, in its sole and absolute discretion, that the arrangements to deliver Approved Entity Shares following an Automatic Conversion are in place and that such arrangements would be in the best interest of the Issuer and its shareholders taken as a whole having regard to the interests of its stakeholders (including, but not limited to, the Holders) and are consistent with applicable law and regulation (including, but not limited to, the guidance of any applicable regulatory body). Therefore, the Issuer may consider factors other than the interests of Holders in determining whether the New Conversion Condition is satisfied.

Further, a Takeover Event shall occur only where the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Issuer has or will become unconditionally vested in an Acquirer (together with any associate). There can be no assurance that the acquisition by an Acquirer of the right to cast 50 per cent. or less of the votes which may ordinarily be cast on a poll at a general meeting of the Issuer will not have an adverse effect on the value of the Securities.

***Holders may be subject to disclosure obligations, take-over requirements and/or may need approval from the Issuer's regulator under certain circumstances.***

As the Holders may receive Conversion Shares if a Capital Adequacy Trigger Event occurs, an investment in the Securities may result in Holders having to comply with certain disclosure, take-over and/or regulatory approval requirements pursuant to applicable laws and regulations following an Automatic Conversion. For example, pursuant to Chapter 5 of the Disclosure Rules and Transparency Rules Sourcebook of the FCA Handbook, the Issuer (and the FCA) must be notified by a person when the percentage of voting rights in the Issuer controlled by that person (together with its concert parties), by virtue of direct or indirect holdings of shares aggregated with direct or indirect holdings of certain financial instruments, reaches, exceeds or falls below 3 per cent. and every percentage point thereafter.

Furthermore, as Conversion Shares represent voting securities of a parent undertaking of a number of regulated group entities, under the laws of the U.K. and other jurisdictions, ownership of the Securities themselves (or the Conversion Shares) above certain levels may require the holder of the voting securities to obtain regulatory approval or subject the holder to additional regulation.

Non-compliance with such disclosure and/or approval requirements may lead to the incurrance of substantial fines or other criminal and/or civil penalties and/or suspension of voting rights associated with the Conversion Shares. Accordingly, each potential investor should consult its legal advisers as to the terms of the Securities, in respect of its existing shareholding and the level of holding it would have if it receives Conversion Shares following a Capital Adequacy Trigger Event.

***Holders will bear the risk of changes in the Group's fully loaded CET1 Ratio.***

The market price of the Securities is expected to be affected by changes in the Group's fully loaded CET1 Ratio. Changes in the Group's fully loaded CET1 Ratio may be caused by changes in the amount of CET1 Capital and/or Risk Weighted Assets, as well as changes to their respective definition and/or interpretation by the Issuer under the Capital Regulations. Each of the Group's CET1 Capital and/or Risk Weighted Assets shall be determined by the Issuer on a fully loaded and consolidated basis and such determination shall be binding on the Trustee and the Holders. See "*The circumstances surrounding or triggering an Automatic Conversion are unpredictable, and there are a number of factors that could affect the Group's fully loaded CET1 Ratio*" and "*Future regulatory changes to the calculation of common equity tier 1 capital and/or risk weighted assets may negatively affect the Group's fully loaded CET1 Ratio and thus increase the risk of a Capital Adequacy Trigger Event, which will lead to an Automatic Conversion, as a result of which Holders could lose all or part of the value of their investment in the Securities*".

The Issuer currently only publicly reports the Group's fully loaded CET1 Ratio quarterly as of the period end, and therefore during the quarterly period there is no published updating of the Group's fully loaded CET1 Ratio and there may be no prior warning of adverse changes in the Group's fully loaded CET1 Ratio. However, any indication that the Group's fully loaded CET1 Ratio is moving towards the level of a Capital Adequacy Trigger Event may have an adverse effect on the market price of the Securities. A decline or perceived decline in the Group's fully loaded CET1 Ratio may significantly affect the trading price of the Securities.

***The circumstances surrounding or triggering an Automatic Conversion are unpredictable, and there are a number of factors that could affect the Group's fully loaded CET1 Ratio.***

The occurrence of a Capital Adequacy Trigger Event is inherently unpredictable and depends on a number of factors, including those discussed in greater detail in the following paragraphs, any of which may be outside the Issuer's control. Although the Issuer currently publicly reports the Group's fully loaded CET1 Ratio only as of each quarterly period end, a Capital Adequacy Trigger Event will occur if, at any time, the Issuer determines that the Group's fully loaded CET1 Ratio is less than 7.00 per cent.

The Group's fully loaded CET1 Ratio may fluctuate during a quarterly period. The calculation of such ratio could be affected by one or more factors, including, among other things, changes in the mix of the Group's business, major events affecting the Issuer's earnings, dividend payments by the Issuer, regulatory changes (including changes to definitions, interpretation and calculations of regulatory capital ratios and their components, including CET1 Capital and Risk Weighted Assets), revisions to models used by the Issuer to calculate its capital requirements (or revocation of, or amendments to, the regulatory permissions for using such models), and the Group's ability to manage Risk Weighted Assets in both its ongoing businesses and those which it may seek to exit. In addition, the Group has capital resources and risk weighted assets denominated in foreign currencies, and changes in foreign exchange rates will result in changes in the sterling equivalent value of foreign currency denominated capital resources and risk weighted assets. As a result, the Group's fully loaded CET1 Ratio is exposed to foreign currency movements.

The calculation of the Group's fully loaded CET1 Ratio may also be affected by changes in applicable accounting rules, or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules. Moreover, even if changes in applicable accounting rules, or changes to regulatory adjustments which modify accounting rules, are not yet in force as of the relevant calculation date, the PRA could require the Issuer to reflect such changes in any particular calculation of the Group's fully loaded CET1 Ratio.

Accordingly, accounting changes or regulatory changes may have a material adverse impact on the Group's calculations of regulatory capital resources and requirements, including CET1 Capital and Risk Weighted Assets, and the Group's fully loaded CET1 Ratio.

Because of the inherent uncertainty regarding whether a Capital Adequacy Trigger Event will occur, it will be difficult to predict when, if at all, an Automatic Conversion may occur. Accordingly, the trading behaviour of the Securities is not necessarily expected to follow the trading behaviour of other types of security. Any indication that a Capital Adequacy Trigger Event (and subsequent Automatic Conversion) may occur can be expected to have a material adverse effect on the market price of the Securities.

***The Group's fully loaded CET1 Ratio, and more generally, its overall capital position, will be affected by the Group's business decisions and, in making such decisions, its interests may not be aligned with those of the Holders.***

As discussed in "— *The circumstances surrounding or triggering an Automatic Conversion are unpredictable, and there are a number of factors that could affect the Group's fully loaded CET1 Ratio*" and "— *CRD IV imposes capital requirements that will restrict the Issuer's ability to make discretionary distributions in certain circumstances, in which case the Issuer may reduce or cancel interest payments on the Securities. In addition, the PRA has broad powers to impose prudential requirements on the Issuer which may include requiring the Issuer to limit or cancel interest on the Securities*" above, the Group's fully loaded CET1 Ratio and, more generally, its overall capital position could be affected by a number of factors. The Group's fully loaded CET1 Ratio and its overall capital position will also depend on the Group's decisions relating to its businesses and operations, as well as the management of its capital position. Neither the Issuer nor any member of the Group will have any obligation to consider the interests of the Holders in connection with its strategic decisions, including in respect of its capital management. Holders will not have any claim against the Issuer or any other member of the Group relating to decisions that affect the business and operations of the Group, including the Group's capital position, regardless of whether they result in the occurrence of mandatory distribution restrictions and/or a Capital Adequacy Trigger Event. Such decisions could cause Holders to lose all or part of the value of their investment in the Securities.

***Future regulatory changes to the calculation of common equity tier 1 capital and/or risk weighted assets may negatively affect the Group's fully loaded CET1 Ratio and thus increase the risk of a Capital Adequacy Trigger Event, which will lead to an Automatic Conversion, as a result of which Holders could lose all or part of the value of their investment in the Securities.***

The rules applicable to the capital of financial institutions have been changed across the European Union in order to implement the Basel III measures issued by the Basel Committee on Banking Supervision. The European legislative package consists of a fourth capital requirements Directive and a new capital requirements Regulation, collectively known as "**CRD IV**". CRD IV entered into force in the U.K. on 1 January 2014.



CRD IV introduced significant changes in the prudential regulatory regime applicable to banks, including: increased minimum capital ratios; changes to the definition of capital and the calculation of risk weighted assets; and the introduction of new measures relating to leverage, liquidity and funding. CRD IV permits a transitional period for certain of the enhanced capital requirements. However, in the U.K., the PRA accelerated the introduction of certain of the enhanced capital requirements under CRD IV and, consistent with that, for the purposes of the Securities, the Issuer will determine the Group's CET1 Capital and Risk Weighted Assets without applying the CRD IV transitional provisions and will instead determine the Group's CET1 Ratio on a so-called "fully loaded" basis. The Group's fully loaded CET1 Ratio as at 30 June 2015 was 11.1 per cent. The Group's fully loaded CET1 Ratio is determined without applying the CRD IV transitional provisions and assuming all of CRD IV is applied in the form that the Group currently expects it to apply. The Group's interpretation of CRD IV and the basis of its determination of the Group's fully loaded CET1 Ratio may be different from those of other financial institutions. For more information on how this ratio is determined, see pages 155-156 of the Joint Annual Report and pages 37-38 of the 2015 Interim Results Announcement, each of which are incorporated by reference into this Offering Circular. For the purposes of the Securities, the calculation by the Issuer of the Group's fully loaded CET1 Ratio (based on its interpretation of the Capital Regulations) at any time is binding on the Trustee and the Holders.

CRD IV requirements adopted in the United Kingdom may change, whether as a result of further changes to CRD IV agreed by EU legislators, binding regulatory technical standards to be developed by the EBA or changes to the way in which the PRA interprets and applies these requirements to U.K. banks (including as regards individual model approvals granted under CRD II and III). For example, such further changes may arise from revisions to applicable regulations resulting from the Basel Committee's fundamental review of the trading book and/or its review of interest rate risk in the banking book. In addition, the Basel Committee has proposed revisions to the standardised approach to credit risk, including the proposal to impose a standardised floor on modelled credit risk capital requirements. Any such proposals and resulting changes, either individually and/or in aggregate, may lead to further unexpected enhanced requirements in relation to the Group's CRD IV capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated.

Therefore, any changes that may occur in the application of the CRD IV rules in the U.K. subsequent to the date of this Offering Circular and/or any subsequent changes to such rules and other variables may individually and/or in the aggregate negatively affect the Group's fully loaded CET1 Ratio and thus increase the risk of a Capital Adequacy Trigger Event, which will lead to an Automatic Conversion, as a result of which a Holder could lose all or part of the value of its investment in the Securities.

***Failure to meet the requirements of regulatory stress tests could result in the Group taking steps to improve its capital position and may otherwise adversely affect the Group.***

The Group and certain of its members are subject to supervisory stress testing exercises in a number of jurisdictions. These exercises currently include the programmes of the Bank of England, the PRA, the EBA, the Federal Deposit Insurance Corporation (the "FDIC") and the South African Reserve Bank (the "SARB"). These exercises are designed to assess the resilience of banks to adverse economic or financial developments and ensure that they have robust, forward-looking capital planning processes that account for the risks associated with their business profile. Assessment by regulators is on both a quantitative and qualitative basis, the latter focusing on the Group's data provision, stress testing capability and internal management processes and controls.

During 2014, the Group participated in the regulatory stress test programmes of the Bank of England and the EBA. The Bank of England and the EBA disclosed the results of their stress test exercises on 16 December 2014 and 26 October 2014, respectively. In each of those stress testing exercises, the Group's stressed CET1 ratio remained above the required minimum thresholds. In 2015, the Group expects to participate in stress test exercises conducted by the Bank of England, the FDIC and the SARB.

Failure to meet requirements of regulatory stress tests, or the failure by regulators to approve the stress test results and capital plans of the Group, could result in the Group being required to enhance its capital position, including, for example, in order to meet an additional PRA buffer which may be set by the PRA in certain circumstances, as set out in the PRA's Policy Statement PS17/15 (*Assessing capital adequacy under Pillar 2*) and the related Statement of Policy (*The PRA's methodologies for setting Pillar 2 capital*). This may result in a need for management actions, such as reducing capital and/or leverage exposures and/or taking steps to conserve capital, which could include reducing discretionary payments (for

example, potentially exercising the Issuer's discretion to cancel (in whole or in part) interest payments in respect of the Securities).

***The Issuer may redeem the Securities at its option in certain situations.***

The Issuer may, at its option, at any time, redeem the Securities, in whole but not in part, at a price equal to 100 per cent. of their principal amount, together with any accrued but unpaid interest (which excludes any interest cancelled or deemed cancelled as provided under "*Terms and Conditions of the Securities – Interest Calculation*") to (but excluding) the date fixed for redemption, if a Regulatory Event or a Tax Event has occurred, as provided under "*Terms and Conditions of the Securities – Redemption and Purchase – Redemption for Regulatory Event*" and "*Terms and Conditions of the Securities – Redemption and Purchase – Redemption for Tax Event*". In addition, the Issuer may, at its option, redeem the Securities, in whole but not in part, on each Reset Date at a redemption price equal to 100 per cent. of their principal amount, together with any accrued but unpaid interest (which excludes any interest cancelled or deemed cancelled as provided under "*Terms and Conditions of the Securities – Interest Cancellation*") to (but excluding) the date fixed for redemption. If the Issuer redeems the Securities, Holders may not be able to reinvest the redemption proceeds in securities offering a comparable yield. In addition, any early redemption of the Securities is subject to, among other things, receipt of the PRA's prior consent, regardless of whether such redemption would be favourable or unfavourable to Holders. Furthermore, Holders have no right to require the Issuer to redeem the Securities.

***The Issuer's obligations under the Securities will be unsecured and subordinated, and the rights of the holders of Conversion Shares will be further subordinated.***

The Issuer's obligations under the Securities will be unsecured and subordinated to all of the Issuer's existing and future obligations to Senior Creditors (as defined under "*Terms and Conditions of the Securities—Status*" below). In addition, payment of principal or interest in respect of the Securities cannot be made in respect of the Securities except to the extent that the Issuer could make such payment and still satisfy the Solvency Condition (as defined under "*Terms and Conditions of the Securities—Status*" below) immediately thereafter.

If (a) an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except in any such case for a solvent winding-up solely for the purpose of a merger, reconstruction or amalgamation); or (b) following the appointment of an administrator of the Issuer, the administrator gives notice that it intends to declare and distribute a dividend, then, (1) if such events specified in (a) or (b) above occur before the date on which a Capital Adequacy Trigger Event occurs, there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer) such amount, if any, as would have been payable to a Holder if, on the day prior to the commencement of the winding-up or such administration and thereafter, such Holder were the holder of the most senior class of preference shares in the capital of the Issuer, having an equal right to a return of assets in the winding-up or such administration to, and so ranking *pari passu* with, the holders of such class of preference shares (if any) from time to time issued by the Issuer that has a preferential right to a return of assets in the winding-up or such administration, and so ranking ahead of the holders of all other classes of issued shares for the time being in the capital of the Issuer, but ranking junior to the claims of Senior Creditors, and on the assumption that the amount that such Holder was entitled to receive in respect of such preference shares, on a return of assets in such winding-up or such administration, was an amount equal to the principal amount of the relevant Security together with any damages (if payable) and (2) if such events specified in (a) or (b) above occur on or after the date on which a Capital Adequacy Trigger Event occurs but before the Conversion Date, then for the purposes of determining the claim of a Holder in such winding-up or such administration, the Conversion Date in respect of an Automatic Conversion shall be deemed to have occurred immediately before the occurrence of such events specified in (a) or (b) above.

Therefore, if the Issuer were to be wound up or placed into administration, the Issuer's liquidator or administrator would first apply assets of the Issuer to satisfy all rights and claims of Senior Creditors. If the Issuer does not have sufficient assets to settle claims of such Senior Creditors in full, the claims of the Holders will not be settled and, as a result, the Holders will lose the entire amount of their investment in the Securities. In such winding-up or administration, the Securities will share equally in payment with claims under Parity Securities (or, with claims in respect of ordinary shares, in the event of a winding-up or administration occurring in the intervening period between a Capital Adequacy Trigger Event and the Conversion Date) if the Issuer does not have sufficient funds to make full payments on all of them, as applicable. In such a situation, Holders could lose all or part of their investment. See also "*Regulatory*

*action in the event a bank or investment firm in the Group is failing or likely to fail could materially adversely affect the value of the Securities".*

Furthermore, Holders should be aware that, upon the occurrence of an Automatic Conversion, all of the Issuer's obligations under the Securities (other than the CSO Obligations, if any) shall be irrevocably and automatically released in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient in accordance with the terms of the Securities), and each holder will be effectively further subordinated due to the change in their status on a winding-up or administration after the Conversion Date from being the holder of a debt instrument ranking ahead of holders of ordinary shares to being the holder of ordinary shares of the Issuer or the beneficial owner of ordinary shares of the Issuer as evidenced by the Security. As a result, upon the occurrence of an Automatic Conversion, the Holders could lose all or part of their investment in the Securities irrespective of whether the Issuer has sufficient assets available to settle what would have been the claims of the Holders or other securities subordinated to the same extent as the Securities, in winding-up proceedings or otherwise. Therefore, even if other securities that rank *pari passu* with the Securities are paid in full, following the Conversion Date in respect of an Automatic Conversion, the Holders will have no rights to the repayment of the principal amount of the Securities or the payment of interest on the Securities and will rank as holders of ordinary shares of the Issuer (or beneficial owners of ordinary shares of the Issuer).

***Regulatory action in the event a bank or investment firm in the Group is failing or likely to fail could materially adversely affect the value of the Securities***

The European Bank Recovery and Resolution Directive ("**BRRD**") provides an EU-wide framework for the recovery and resolution of credit institutions and investment firms, their subsidiaries and certain holding companies. The BRRD requires all EEA member states to provide their relevant resolution authorities with a set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the broader economy and financial system.

In the U.K., the majority of the requirements of the BRRD have been implemented into national law in the Banking Act. The U.K. implementation of the BRRD included the introduction of the bail-in tool as of 1 January 2015. For more information on the bail-in tool, see "*The relevant U.K. resolution authority may exercise the bail-in tool in respect of the Issuer and the Securities, which may result in Holders losing some or all of their investment*" below. The U.K. has deferred the implementation of the MREL regime, pending, amongst other things, further developments via the FSB for harmonising key principles for TLAC globally. See "*Minimum requirement for own funds and eligible liabilities*" below.

*The Banking Act confers substantial powers on a number of U.K. authorities designed to enable them to take a range of actions in relation to U.K. banks or investment firms and certain of their affiliates in the event a bank or investment firm in the same group is considered to be failing or likely to fail. The exercise of any of these actions in relation to the Issuer could materially adversely affect the value of the Securities*

Under the Banking Act, substantial powers are granted to the Bank of England (or, in certain circumstances, HM Treasury), in consultation with the PRA, the FCA and HM Treasury, as appropriate as part of a special resolution regime (the "**SRR**"). These powers enable the relevant U.K. resolution authority to implement resolution measures with respect to a U.K. bank or investment firm and certain of its affiliates (including, for example, the Issuer) (each a "**relevant entity**") in circumstances in which the relevant U.K. resolution authority is satisfied that the resolution conditions are met. The stabilisation options available to the relevant U.K. resolution authority under the SRR provide for:

- (i) private sector transfer of all or part of the business of the relevant entity;
- (ii) transfer of all or part of the business of the relevant entity to a "bridge bank" established by the Bank of England;
- (iii) transfer to an asset management vehicle;
- (iv) the bail-in tool; and
- (v) temporary public ownership (nationalisation).

Each of these stabilisation options is achieved through the exercise of one or more "stabilisation powers", which include (i) the power to make share transfer orders pursuant to which all or some of the securities issued by a relevant entity may be transferred to a commercial purchaser, a bridge bank or, in the case of certain relevant entities, the U.K. government; (ii) the resolution instrument power which includes the exercise of the bail-in tool; (iii) the power to transfer all or some of the property, rights and liabilities of a relevant entity to a commercial purchaser or Bank of England entity; and (iv) the third country instrument powers that recognise the effect of similar special resolution action taken under the law of a country outside the EEA (a "**third country**"). A share transfer order can extend to a wide range of securities, including shares and bonds issued by a relevant entity and warrants for such shares and bonds and could, therefore, apply to the Securities. In addition, the Banking Act grants powers to modify contractual arrangements in certain circumstances, powers to suspend enforcement or termination rights that might be invoked as a result of the exercise of the resolution powers and powers for the relevant U.K. resolution authority to disapply or modify laws in the U.K. (with possible retrospective effect) to enable the powers under the Banking Act to be used effectively.

The exercise of any resolution power or any suggestion of any such exercise could materially adversely affect the value of the Securities and could lead to Holders losing some or all of the value of their investment in the Securities.

*The SRR is designed to be triggered prior to insolvency of the Issuer, and Holders may not be able to anticipate the exercise of any resolution power by the relevant U.K. resolution authority*

The stabilisation options are intended to be used prior to the point at which any insolvency proceedings with respect to the relevant entity could have been initiated. The purpose of the stabilisation options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns. Accordingly, the stabilisation options may be exercised if the relevant U.K. resolution authority: (i) is satisfied that a U.K. bank or investment firm is failing, or is likely to fail; (ii) determines that it is not reasonably likely that (ignoring the stabilisation powers) action will be taken by or in respect of a U.K. bank or investment firm that will result in condition (i) above ceasing to be met; (iii) considers the exercise of the stabilisation powers to be necessary, having regard to certain public interest considerations (such as the stability of the U.K. financial system, public confidence in the U.K. banking system and the protection of depositors, being some of the special resolution objectives) and (iv) considers that the special resolution objectives would not be met to the same extent by the winding-up of the U.K. bank or investment firm. In the event that the relevant U.K. resolution authority seeks to exercise its powers in relation to a U.K. banking group company (such as the Issuer), the relevant U.K. resolution authority has to be satisfied that (A) the conditions set out in (i) to (iv) above are met in respect of a U.K. bank or investment firm in the same banking group (or, in respect of an EEA or third country credit institution or investment firm in the same banking group, the relevant EEA or third country resolution authority is satisfied that the conditions for resolution applicable in its jurisdiction are met) and (B) certain criteria are met, such as the exercise of the powers in relation to such U.K. banking group company being necessary having regard to public interest considerations. The use of different stabilisation powers is also subject to further "specific conditions" that vary according to the relevant stabilisation power being used.

On 26 May 2015, the EBA published its final guidelines on the circumstances in which an institution shall be deemed as 'failing or likely to fail' by supervisors and resolution authorities. These will apply from 1 January 2016. The guidelines set out the objective elements and criteria which should apply when supervisors and resolution authorities make such a determination and further provide guidance on the approach to consultation and exchange of information between supervisors and resolution authorities in such scenarios.

Although the Banking Act provides for the above described conditions to the exercise of any resolution powers and the EBA guidelines mentioned above set out the objective elements for determining whether an institution is failing or likely to fail, it is uncertain how the relevant U.K. resolution authority would assess such conditions in any particular pre-insolvency scenario affecting the Issuer and/or other members of the Group and in deciding whether to exercise a resolution power. The relevant U.K. resolution authority is also not required to provide any advance notice to Holders of its decision to exercise any resolution power. Therefore, Holders may not be able to anticipate a potential exercise of any such powers nor the potential effect of any exercise of such powers on the Issuer, the Group and the Securities.

*Holders may have only very limited rights to challenge the exercise of any resolution powers by the relevant U.K. resolution authority*

Holders may have only very limited rights to challenge and/or seek a suspension of any decision of the relevant U.K. resolution authority to exercise its resolution powers or to have that decision reviewed by a judicial or administrative process or otherwise.

*The relevant U.K. resolution authority may exercise the bail-in tool in respect of the Issuer and the Securities, which may result in Holders losing some or all of their investment*

The relevant U.K. resolution authority may exercise the bail-in tool to enable it to recapitalise an institution in resolution by allocating losses to its shareholders and unsecured creditors (which include Holders) in a manner that (i) reflects the hierarchy of capital instruments under CRD IV and otherwise ought to respect the hierarchy of claims in an ordinary insolvency and (ii) is consistent with shareholders and creditors not receiving a less favourable treatment than they would have received in ordinary insolvency proceedings of the relevant entity (known as the "no creditor worse off" safeguard). Certain liabilities are excluded from the scope of the bail-in tool, such as liabilities to the extent they are secured. The Banking Act also grants the power for the relevant U.K. resolution authority to exclude any liability or class of liabilities on certain prescribed grounds (including financial stability grounds) and subject to specified conditions.

The bail-in tool includes the power to cancel a liability or modify the terms of contracts for the purposes of reducing or deferring the liabilities of the relevant entity under resolution and the power to convert a liability from one form or class to another. The exercise of such powers may result in the cancellation of all, or a portion, of the principal amount of, interest on, or any other amounts payable on, the Securities and/or the conversion of all or a portion of the principal amount of, interest on, or any other amounts payable on, the Securities into shares or other securities or other obligations of the Issuer or another person, including by means of a variation to the terms of the Securities, in each case, to give effect to the exercise by the relevant U.K. resolution authority of such power.

Where the relevant statutory conditions for intervention under the SRR and the use of the bail-in tool have been met, the relevant U.K. resolution authority would be expected to exercise these powers without the consent of the Holders.

The exercise of any resolution power, including the power to exercise the bail-in tool in respect of the Issuer and the Securities or any suggestion of any such exercise could materially adversely affect the rights of the Holders, the price or value of their investment in the Securities and/or the ability of the Issuer to satisfy its obligations under the Securities and could lead to Holders losing some or all of the value of their investment in such Securities. In addition, even in circumstances where a claim for compensation is established under the "no creditor worse off" safeguard in accordance with a valuation performed after the resolution action has been taken, it is unlikely that such compensation would be equivalent to the full losses incurred by the Holders in the resolution and there can be no assurance that Holders would recover such compensation promptly.

*Mandatory write-down and conversion of capital instruments may affect the Securities*

In addition, the Banking Act requires the relevant U.K. resolution authority to permanently write-down, or convert into equity, tier 1 capital instruments (such as the Securities) and tier 2 capital instruments at the point of non-viability of the relevant entity and before or together with the exercise of any stabilisation power (except in the case where the bail-in tool is to be utilised for other liabilities, in which case such instrument would be written down or converted into equity pursuant to the exercise of the bail-in tool, as described above, rather than the mandatory write-down and conversion power applicable only to capital instruments).

For the purposes of the application of such mandatory write-down and conversion power, the point of non-viability is the point at which the relevant U.K. resolution authority determines that the relevant entity meets the conditions for resolution (but no resolution action has yet been taken) or that the relevant entity will no longer be viable unless the relevant capital instruments are written-down or converted or the relevant entity requires extraordinary public support without which, the relevant U.K. resolution authority determines that, the relevant entity would no longer be viable.

Holders may be subject to write-down or conversion into equity on application of such powers (without requiring the consent of such Holders), which may result in such Holders losing some or all of their investment. The "no creditor worse off" safeguard would not apply in relation to an application of such powers in circumstances where resolution powers are not also exercised. The exercise of such mandatory write-down and conversion power under the Banking Act or any suggestion of such exercise could, therefore, materially adversely affect the rights of holders of Securities, the price or value of their investment in the Securities and/or the ability of the Issuer to satisfy its obligations under the Securities.

*Minimum requirement for own funds and eligible liabilities*

To support the effectiveness of bail-in and other resolution tools, the BRRD requires that all institutions must meet an individual MREL requirement, calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities. Items eligible for inclusion in MREL will include an institution's own funds, along with "eligible liabilities". The U.K. has opted to defer until 1 January 2016 the implementation of the MREL regime and the Bank of England is required to use its power of direction under section 3A(4) of the Banking Act to implement the MREL requirement by that date. Such direction will need to take into account the regulatory technical standards developed by the EBA and will be accompanied by a statement of policy.

Although the EBA has published the final draft regulatory technical standards on the criteria for determining MREL under the BRRD, the precise impact of the MREL requirements on individual firms in the U.K. will remain a matter of some uncertainty until the final measures are adopted. In addition, while the EBA has stated that it expects such regulatory technical standards to be broadly compatible with the proposals published in November 2014 by the FSB for a new international standard on TLAC for globally systemically important banks ("**G-SIBs**") (including Barclays, based on the latest FSB list of G-SIBs published in November 2014), it remains unclear whether such proposals will affect the way in which the authorities implement the MREL regime.

Until these measures are finally applied to the Issuer and the Group, it is not possible to determine the ultimate scope and nature of any resulting obligations for the Issuer or the Group, nor the impact that they will have on the Issuer or the Group once implemented. If the FSB's and EBA's proposals are implemented in their current form however, it is possible that, the Issuer and/or other members of the Group may have to issue MREL eligible liabilities in order to meet the new requirements within the required timeframes and/or alter the quantity and type of internal capital and funding arrangements within the Group. During periods of market dislocation, or when there is significant competition for the type of funding that the Group needs, a requirement to increase the Group's MREL eligible liabilities in order to meet MREL targets may prove more difficult and/or costly. More generally, these proposals could increase the Group's costs and may lead to asset sales and/or other balance sheet reductions. The effects of these proposals could all adversely impact the results of operations, financial condition and prospects of the Group and, in turn, adversely affect the value of the Securities.

***There is no restriction on the amount or type of further securities or indebtedness that the Issuer or its subsidiaries may issue, incur or guarantee.***

Subject to complying with applicable regulatory requirements in respect of the Group's leverage and capital ratios, there is no restriction on the amount or type of further securities or indebtedness that the Issuer or its subsidiaries may issue, incur or guarantee, as the case may be, that rank senior to, or *pari passu* with, the Securities. The issue or guaranteeing of any such further securities or indebtedness may reduce the amount recoverable by Holders on a liquidation or winding-up of the Issuer and may limit the Issuer's ability to meet its obligations under the Securities. In addition, the Securities do not contain any restriction on the Issuer issuing securities that may have preferential rights to the Securities or securities with similar or different provisions to those described herein.

***Holders will have limited remedies.***

Payment of principal on the Securities shall be accelerated only in the event of certain events of a winding-up or administration involving the Issuer that constitute a Winding-up Event before the occurrence of a Capital Adequacy Trigger Event. Under the terms of the Securities, a Winding-up Event results if either (i) a court of competent jurisdiction in England (or such other jurisdiction in which the Issuer may be organised) makes an order for the winding-up of the Issuer which is not successfully appealed within 30 days of the making of such order, (ii) the Issuer's shareholders adopt an effective

resolution for its winding-up (other than, in the case of either (i) or (ii) above, under or in connection with a scheme of reconstruction, merger or amalgamation not involving a bankruptcy or insolvency) or (iii) following the appointment of an administrator, the administrator gives notice that it intends to declare and distribute a dividend. There is no right of acceleration in the case of non-payment of principal or interest on the Securities or of the Issuer's failure to perform any of its obligations under or in respect of the Securities.

The sole remedy against the Issuer available for recovery of amounts owing in respect of any non-payment of any amount that has become due and payable under the Securities is, subject to certain conditions and to the provisions set forth in "*Terms and Conditions of the Securities—Enforcement Events and Remedies*", for the Trustee to institute proceedings in England (or such other jurisdiction in which the Issuer may be organised) (but not elsewhere) for the winding-up of the Issuer and/or prove in the winding-up of the Issuer and/or claim in the Issuer's liquidation or administration.

Although the Trustee may institute such proceedings against the Issuer as it may think fit to enforce any term, obligation or condition binding on the Issuer under the Securities or the Trust Deed (other than any payment obligation of the Issuer under or arising from the Securities or the Trust Deed, including, without limitation, payment of any principal or interest, excluding any amount due to the Trustee in respect of its fees and/or expenses) (referred to herein as Performance Obligations), provided always that the Trustee (acting on behalf of the Holders) and the Holders may not enforce, and may not be entitled to enforce or otherwise claim, against the Issuer any judgment or other award given in such proceedings that requires the payment of money by the Issuer, whether by way of damages or otherwise (a "**Monetary Judgment**"), except by proving such Monetary Judgment in a winding-up of the Issuer and/or by claiming such Monetary Judgment in an administration of the Issuer.

The remedies under the Securities are more limited than those typically available to the Issuer's unsubordinated creditors.

No interest will be due and payable if such interest has been cancelled or deemed cancelled (in each case, in whole or in part) as described under "*Terms and Conditions of the Securities—Interest Cancellation*" below. Accordingly, no default in payment or otherwise under the Securities will have occurred or be deemed to have occurred in such circumstances.

Following the occurrence of an Automatic Conversion, all of the Issuer's obligations under the Securities (other than the CSO Obligations, if any) shall be irrevocably and automatically released in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient in accordance with the terms of the Securities) on the Conversion Date, and no principal or interest can become due and payable after such date. An Automatic Conversion will not constitute a default or a Winding-up Event under the Securities.

#### ***Changes in law may adversely affect the rights of Holders.***

Changes in law after the date hereof may affect the rights of Holders as well as the market value of the Securities. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the Securities, which may have an adverse effect on an investment in the Securities.

In addition, any change in law or regulation that triggers a Regulatory Event or a Tax Event would entitle the Issuer, at its option (subject to a requirement to obtain the PRA's prior consent), to redeem the Securities, in whole but not in part, as provided under "*Terms and Conditions of the Securities – Redemption and Purchase – Redemption for Regulatory Event*" and "*Terms and Conditions of the Securities – Redemption and Purchase – Redemption for Tax Event*".

Such legislative and regulatory uncertainty could also affect an investor's ability to accurately value the Securities and, therefore, affect the trading price of the Securities given the extent and impact on the Securities that one or more regulatory or legislative changes, including those described above, could have on the Securities.

Furthermore, the financial services industry continues to be the focus of significant regulatory change and scrutiny which may adversely affect the Group's business, financial performance, capital and risk management strategies – see "*Risks arising from regulatory change and scrutiny*" below. Such regulatory changes, and the resulting actions taken to address such regulatory changes, may have an adverse impact

on the Group's, and therefore the Issuer's, performance and financial condition, which could in turn affect the levels of CET1 Capital and Risk Weighted Assets and, therefore, the resulting fully loaded CET1 Ratio. It is not yet possible to predict the detail of such legislation or regulatory rulemaking or the ultimate consequences to the Group or the Holders, which could be material.

***Prior to the Conversion Date, Holders will not be entitled to any rights with respect to the Issuer's ordinary shares, but will be subject to all changes made with respect to the Issuer's ordinary shares.***

The exercise of voting rights and certain other rights related to any Conversion Shares is only possible after the issue, registration and delivery of the Conversion Shares on the Conversion Date to the Conversion Shares Depository (or the relevant recipient) in accordance with the provisions of, and subject to the limitations provided in, the articles of association of the Issuer and under "*Terms and Conditions of the Securities – Automatic Conversion*"). Prior to such issuance, registration and delivery, Holders will be subject to all changes made with respect to the Issuer's ordinary shares.

***As a result of Holders receiving Conversion Shares upon the occurrence of a Capital Adequacy Trigger Event, they are particularly exposed to changes in the market price of the Issuer's ordinary shares.***

In general, investors in convertible or exchangeable securities may seek to hedge their exposure in the underlying equity securities at the time of acquisition of the convertible or exchangeable securities. Prospective investors in the Securities may look to sell ordinary shares of the Issuer in anticipation of taking a position in, or whilst holding, the Securities. This could drive down the price of the Issuer's ordinary shares. Since the Securities will mandatorily convert into Conversion Shares upon the occurrence of a Capital Adequacy Trigger Event, the price of the Issuer's ordinary shares may be more volatile if the Issuer is trending toward a Capital Adequacy Trigger Event.

***There may not be any trading market for the Securities.***

The Securities are a new issue of securities and have no established trading market. Although application will be made to have the Securities admitted to listing and to trading on the SIX Swiss Exchange, there can be no assurance that an active trading market will develop. Even if an active trading market does develop, it may not be liquid and may not continue for the term of the Securities. The liquidity and the market prices for the Securities can be expected to vary with changes in market and economic conditions, the Group's financial condition and prospects and other factors that generally influence the market prices of securities. If the secondary market for the Securities is limited, there may be few buyers and this may reduce the relevant market price of the Securities.

***A downgrade of the rating assigned by any credit rating agency to the Issuer or to the Securities could adversely affect the liquidity or market value of the Securities. Ratings downgrades could occur as a result of, among other causes, changes in the ratings methodologies used by credit rating agencies. Changes in credit rating agencies' views of the level of implicit sovereign support for European banks and their groups are likely to lead to ratings downgrades.***

Upon issuance, it is expected that the Securities will be rated by credit rating agencies and may in the future be rated by additional credit rating agencies, although the Issuer is under no obligation to ensure that the Securities are rated by any credit rating agency. Credit ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed in these Risk Factors and other factors that may affect the liquidity or market value of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the credit rating agency at any time.

Any rating assigned to the Issuer and/or the Securities may be withdrawn entirely by a credit rating agency, may be suspended or may be lowered, if, in that credit rating agency's judgment, circumstances relating to the basis of the rating so warrant. Ratings may be impacted by a number of factors which can change over time, including the credit rating agency's assessment of: the Issuer's strategy and management's capability; the Issuer's financial condition including in respect of capital, funding and liquidity; competitive and economic conditions in the Issuer's key markets; the level of political support for the industries in which the Issuer operates; and legal and regulatory frameworks affecting the Issuer's legal structure, business activities and the rights of its creditors. The credit rating agencies may also revise the ratings methodologies applicable to issuers within a particular industry or political or economic



region. If credit rating agencies perceive there to be adverse changes in the factors affecting the Issuer's credit rating, including by virtue of change to applicable ratings methodologies, the credit rating agencies may downgrade, suspend or withdraw the ratings assigned to the Issuer and/or its securities. In particular, Moody's, Standard & Poor's and Fitch each published revised methodologies applicable to bank ratings (including the Issuer and the Bank) during 2015 which resulted in credit rating actions being taken on the Issuer's ratings and the Bank's ratings. Further revisions to ratings methodologies and actions on the Issuer's ratings or the Bank's ratings by the credit rating agencies may occur in the future.

If the Issuer determines to no longer maintain one or more ratings, or if any credit rating agency withdraws, suspends or downgrades the credit ratings of the Issuer or the Securities, or if such a withdrawal, suspension or downgrade is anticipated (or any credit rating agency places the credit ratings of the Issuer or the Securities on "credit watch" status in contemplation of a downgrade, suspension or withdrawal), whether as a result of the factors described above or otherwise, such event could adversely affect the liquidity or market value of the Securities.

***The Securities are not investment grade and are subject to the risks associated with non-investment grade securities.***

The Securities, upon issuance, will not be considered to be investment grade securities, and as such will be subject to a higher risk of price volatility than higher-rated securities. Furthermore, increases in leverage or deteriorating outlooks for the Issuer, or volatile markets, could lead to a significant deterioration in market prices of below-investment grade rated securities such as the Securities.

#### ***FATCA Withholding after 31 December 2016***

Under certain provisions of the U.S. Internal Revenue Code of 1986, as amended, and Treasury regulations promulgated thereunder (commonly referred to as "FATCA"), as well as certain intergovernmental agreements between the United States and certain other countries (including the U.K.) together with expected local country implementing legislation, a 30 per cent. withholding tax may be imposed on all or some of the payments on the Securities and Conversion Shares after 31 December 2016 to Holders and non-U.S. financial institutions receiving payments on behalf of Holders that, in each case, fail to comply with information reporting, certification and related requirements. Under current regulations, the amount to be withheld is not defined, and it is not yet clear whether or to what extent payments on the Securities and Conversion Shares may be subject to this withholding tax. This withholding tax, if it applies, could apply to any payment made with respect to the Securities and Conversion Shares, including payments of both principal and interest. Moreover, withholding may be imposed at any point in a chain of payments if a non-U.S. payee fails to comply with U.S. information reporting, certification and related requirements. Accordingly, Securities and Conversion Shares held through a non-compliant institution may be subject to withholding even if the holder otherwise would not be subject to withholding.

If withholding is required in respect of this withholding tax, the Issuer will not be required to pay any additional amounts with respect to any amounts withheld. A beneficial owner of Securities and Conversion Shares that is not a foreign financial institution generally will be entitled to a refund of any amounts withheld in respect of this withholding tax, but this may entail significant administrative burden. Holders are urged to consult their tax advisers and any banks or brokers through which they will hold the Securities and Conversion Shares as to the consequences (if any) of these rules to them.

***Because the global certificate is held by or on behalf of the Clearing Systems, investors will have to rely on the Clearing Systems' procedures for transfer, payment and communication with the Issuer.***

The Securities will be represented by a global certificate except in certain limited circumstances described in "Form of the Securities" below. Such global certificate will be deposited with a common depository for Euroclear and/or Clearstream, Luxembourg and registered in the name of such depository or its nominee, and beneficial interests in the global certificate will be held through the Clearing Systems and their respective direct or indirect participants, and such direct and indirect participants will record beneficial interests on their books. While the Securities are represented by the global certificate, the Issuer will discharge its payment obligations under the Securities by making payments to or to the order of the common depository for Euroclear and/or Clearstream, Luxembourg, for distribution to its account holders. A holder of a beneficial interest in a global certificate must rely on the procedures of the Clearing Systems to receive payments under the Securities. The Issuer has no responsibility or liability for the

records relating to, or payments made in respect of, beneficial interests in the global certificate. Holders of beneficial interests in the global certificate may have to rely on the Clearing Systems to exercise their voting rights in any creditors meeting in relation to the Securities or to appoint appropriate proxies.

***The Trust Deed contains provisions which may permit modification of the Securities without the consent of all Holders.***

The Trust Deed contains provisions permitting modifications and amendments to the Securities without the consent of the Holders and with the consent of a specified quorum and majority of the outstanding Securities in other circumstances. Valid resolutions passed by such Holders will bind all Holders including those Holders that did not attend and vote at the relevant meeting and those Holders who voted in a manner contrary to the majority.

### **Risks relating to the Issuer and the Group**

Material risks relating to the Issuer and the Group and their impact are described below in two sections: (i) risks which management believes may affect more than one "principal risk" (within the meaning of the Issuer's Enterprise Risk Management Framework, each a "**Principal Risk**"); and (ii) risks management believes are more likely to impact a single Principal Risk. The five Principal Risks are currently categorised as: (1) Credit Risk; (2) Market Risk; (3) Funding Risk; (4) Operational Risk; and (5) Conduct Risk.

#### ***Risks potentially impacting more than one Principal Risk***

(i) *Business conditions, general economy and geopolitical issues*

The Group's performance could be adversely affected in more than one Principal Risk by a weak or deteriorating global economy or political instability. These factors may also be focused in one or more of the Group's main countries of operation.

The Group offers a broad range of services to retail and institutional customers, including governments, across a large number of countries with the result that it could be materially adversely impacted by weak or deteriorating economic conditions, including deflation, or political instability in one or a number of countries in which the Group operates or any other globally significant economy.

The global economy faces an environment characterised by low growth, and this is expected to continue during 2015 with slow growth or recession in some regions, such as Europe which may be offset in part by expected growth in others, such as North America. Any further slowing of economic growth in China would also be expected to have an adverse impact on the global economy through lower demand, which is likely to have the most significant impact on countries in developing regions that are producers of commodities used in China's infrastructure development.

While the pace of decreasing monetary support by central banks, in some regions, is expected to be calibrated to potential recovery in demand in such regions, any such decrease of monetary support could have a further adverse impact on volatility in the financial markets and on the performance of significant parts of the Group's business, which could, in each case, have an adverse effect on the Group's future results.

Falling or continued low oil prices could potentially have an adverse impact on the global economy with significant wide ranging effects on producer and importer nations as well as putting strain on client companies in certain sectors which may lead to higher impairment requirements.

Furthermore, the outcome of the political and armed conflicts in Ukraine and parts of the Middle East are unpredictable and may have a negative impact on the global economy.

A weak or deteriorating global economy and political instability could impact Group performance in a number of ways including, for example: (i) deteriorating business, consumer or investor confidence leading to reduced levels of client activity and consequently a decline in revenues; (ii) mark to market losses in trading portfolios resulting from changes in credit ratings,

share prices and solvency of counterparties; and (iii) higher levels of default rates and impairment.

(ii) *U.K. political and policy environment*

The public policy environment in the U.K. (including but not limited to regulatory reform in the U.K., a potential referendum on U.K. membership of the European Union, and taxation of U.K. financial institutions and clients) is likely to remain challenging in the short to medium term, with the potential for policy proposals emerging that could impact clients, markets and the Group either directly or indirectly.

A referendum on the U.K. membership of the European Union may affect the Group's risk profile through introducing potentially significant new uncertainties and instability in financial markets, both ahead of the dates for this referendum and, depending on the outcomes, after the event. As a member of the European Union, the U.K. and U.K.-based organisations have access to the EU Single Market. Given the lack of precedent, it is unclear how a potential exit of the U.K. from the EU would affect the U.K.'s access to the EU Single Market and how it would affect the Group.

(iii) *Model risk*

The Group may suffer adverse consequences from risk based business and strategic decisions based on incorrect or misused model assumptions, outputs and reports.

The Group uses models in particular to assess and control the Group's credit and market exposures. Model risk can arise from a number of sources, including: fundamental model flaws leading to inaccurate outputs; incomplete, inaccurate or inappropriate data used for either development or operation of the model; incorrect or inappropriate implementation or use of a model; or assumptions in the models becoming outdated or invalid due to the evolving external economic and legislative environment and changes in customer behaviour.

If the Group were to place reliance on incorrect or misused model outputs or reports, this could result in a material adverse impact on the Group's reputation, operations, financial condition and prospects, for example, due to inaccurate reporting of financial statements; estimation of capital requirement (either on a regulatory or economic basis); or measurement of the financial risks taken by the Group as part of its normal course of business.

As a consequence, management of model risk has become an increasingly important area of focus for the Group, regulators and the industry.

### ***Risks by Principal Risk***

#### *Credit risk*

The financial condition of the Group's customers, clients and counterparties, including governments and other financial institutions, could adversely affect the Group.

The Group may suffer financial loss if any of its customers, clients or market counterparties fails to fulfil their contractual obligations to the Group. Furthermore, the Group may also suffer loss when the value of the Group's investment in the financial instruments of an entity falls as a result of that entity's credit rating being downgraded. In addition, the Group may incur significant unrealised gains or losses due solely to changes in the Group's credit spreads or those of third parties, as these changes affect the fair value of the Group's derivative instruments, debt securities that the Group holds or issues, or any loans held at fair value.

(i) *Deterioration in political and economic environment*

The Group's performance is at risk from any deterioration in the economic and political environment which may result from a number of uncertainties, including most significantly the following factors:

(a) *Political instability or economic uncertainty in markets in which the Group operates*

Political instability, economic uncertainty or deflation in regions in which the Group operates could weaken growth prospects that could lead to an adverse impact on customers' ability to service debt and so to higher impairment requirements for the Group. These include, but are not limited to:

*Eurozone*

The economies across the Eurozone are showing little evidence of sustained growth with debt-burdened government finances, deflation, weak demand and persistent high unemployment preventing a sustained recovery. Slow recovery could put economic pressure on key trading partners of Eurozone countries, notably the U.K. and China. Furthermore, concerns persist on the pace of structural banking reform in the Eurozone and the strength of the Eurozone banking sector in general. A slowdown in the Eurozone economy could have a material adverse effect on the Group's results of operations, financial condition and prospects through, for example, a requirement to raise impairment levels.

The Group is at risk from a sovereign default of an existing Eurozone country in which the Group has operations and the adverse impact on the economy of that exiting country and the credit standing of the Group's clients and counterparties. This may result in increased credit losses and higher impairment requirements. While the risk of one or more countries exiting the Eurozone had been receding, as a result of the recent formation of an anti-austerity coalition government in Greece, this risk and the risk of redenomination is now re-emerging alongside the possibility of a significant renegotiation of the terms of Greece's bailout programme.

*South Africa*

The economy in South Africa remains under pressure with weak underlying economic growth reinforced by industrial strike action and electricity shortages. While the rapid growth in the consumer lending industry over the past three years has begun to slow, concerns remain over the level of consumer indebtedness, particularly given the prospect of further interest rate rises and high inflation. Higher unemployment and a fall in property prices, together with increased customer or client unwillingness or inability to meet their debt obligations to the Group, may have an adverse impact on the Group's performance through higher impairment charges.

*Countries in developing regions*

A number of countries, which have high fiscal deficits and reliance on short term external financing and/or material reliance on commodity exports, have become increasingly vulnerable as a result of, for example, the volatility of the oil price, a strong U.S. dollar relative to local currencies, and the winding down of quantitative easing policies by some central banks. The impact on the Group may vary according to such country's respective structural vulnerabilities but the impact may result in increased impairment requirements of the Group through sovereign defaults or the inability or unwillingness of clients and counterparties of the Group in that country to meet their debt obligations.

*Russia*

The risks to Russia have escalated, and may continue to do so, as pressure on the Russian economy increases. Slowing GDP growth and high inflation due to the imposition of economic sanctions by the U.S. and EU, falls in the price of oil, a rapid fall in the value of the rouble against other foreign currencies and significant and rapid interest rate rises could have a significant adverse impact on the Russian economy. In addition, foreign investment into Russia reduced during 2014 and may continue in 2015.

While the Group has no material operations in Russia, the Group participates in certain financing and trading activity with selected counterparties conducting business in Russia

with the result that further sanctions or deterioration in the Russian economy may result in the counterparties being unable, through lack of a widely accepted currency, or unwilling to repay, refinance or roll-over outstanding liabilities. Any such defaults could have a material adverse effect on the Group's results as a result of, for example, incurring higher impairment.

- (b) *Interest rate rises, including as a result of slowing of monetary stimulus, could impact on consumer debt affordability and corporate profitability*

To the extent that interest rates increase in certain developed markets, such increases are widely expected to be gradual and modest in scale over the period to mid-2016, albeit at differing timetables, across the major currencies. While an increase may support Group income, any sharper than expected changes could cause stress in loan portfolio and underwriting activity of the Group, leading to the possibility of the Group incurring higher impairment. The possibility of higher impairment would most notably occur in the Group's retail unsecured and secured portfolios, which, coupled with a decline in collateral values, could lead to a reduction in recoverability and value of the Group's assets resulting in a requirement to increase the Group's level of impairment allowance.

- (ii) *Specific Sectors*

The Group is subject to risks arising from changes in credit quality and recovery of loans and advances due from borrowers and counterparties in a specific portfolio or from a large individual name. Any deterioration in credit quality could lead to lower recoverability and higher impairment in a specific sector or in respect of specific large counterparties. The following provides examples of areas of uncertainties to the Group's portfolio which could have a material impact on performance. However, there may also be additional risks not yet known or currently immaterial which may have an adverse impact on the Group's performance.

- (a) *Decline in property prices in the U.K. and Italy*

The Group is at risk from a fall in property prices in both the residential and commercial sectors in the U.K. With U.K. home loans representing the most significant portion of the Group's total loans and advances to the retail sector, the Group has a large exposure to adverse developments in the U.K. retail property sector. U.K. house prices (primarily in London) increased throughout 2014 at a rate faster than that of income and to a level far higher than the long term average. As a result, a fall in house prices, particularly in London and South East of the U.K., would lead to higher impairment and negative capital impact as loss given default ("**LGD**") rates increase. In addition, reduced affordability of residential and commercial property in the U.K., for example, as a result of higher interest rates or increased unemployment, could also lead to higher impairment.

In addition, a significant portion of the Group's total loans and advances in Italy are to residential home loans. As a consequence, a number of factors including, for example, a fall in property prices, higher unemployment, and higher default rates have the potential to have a significant impact on the Group's performance through higher impairment charges.

- (b) *Non-Core assets*

The Group holds a large portfolio of Non-Core assets, including commercial real estate and leveraged finance loans, which (i) remain illiquid; (ii) are valued based upon assumptions, judgements and estimates which may change over time; and (iii) are subject to further deterioration and write-downs. As a result, the Group is at risk of loss on these portfolios due to, for example, higher impairment should their performance deteriorate or write-downs upon eventual sale of the assets.

- (c) *Large single name losses*

The Group has large individual exposures to single name counterparties. The default of obligations by such counterparties could have a significant impact on the carrying value

of these assets. In addition, where such counterparty risk has been mitigated by taking collateral, credit risk may remain high if the collateral held cannot be realised or has to be liquidated at prices which are insufficient to recover the full amount of the loan or derivative exposure. Any such defaults could have a material adverse effect on the Group's results due to, for example, incurring higher impairment charges.

#### *Market risk*

The Group's financial position may be adversely affected by changes in both the level and volatility of prices leading to lower revenues and may include:

(i) *Major changes in quantitative easing programmes*

The trading business model is focused on client facilitation in the wholesale markets, involving market making activities, risk management solutions and execution. A prolonged continuation of current quantitative easing programmes, in certain regions, could lead to a change and a decrease of client activity which could result in lower fees and commission income.

The Group is also exposed to a rapid unwinding of quantitative easing programmes. A sharp movement in asset prices could affect market liquidity and cause excess volatility impacting the Group's ability to execute client trades and may also result in portfolio losses.

(ii) *Adverse movements in interest and foreign currency exchange rates*

A sudden and adverse movement in interest or foreign currency exchange rates has the potential to detrimentally impact the Group's income arising from non-trading activity.

The Group has exposure to non-traded interest rate risk, arising from the provision of retail and wholesale (non-traded) banking products and services. This includes current accounts and equity balances which do not have a defined maturity date and an interest rate that does not change in line with base rate changes. The level and volatility of interest rates can impact the Group's net interest margin, which is the interest rate spread earned between lending and borrowing costs. The potential for future volatility and margin changes remains in key areas such as in the U.K. benchmark interest rate, to the extent such volatility and margin changes are not entirely neutralised by hedging programmes.

The Group is also at risk from movements in foreign currency exchange rates as these will impact the sterling equivalent value of foreign currency denominated assets in the banking book, and therefore exposing the Group to currency translation risk.

While the impact is difficult to predict with any accuracy, failure to appropriately manage the Group's balance sheet to take account of these risks could have an adverse effect on the Group's financial prospects due to reduced income and volatility of the regulatory capital measures.

(iii) *Adverse movements in the pension fund*

Adverse movements between pension assets and liabilities for defined benefits pension schemes could contribute to a pension deficit. The liabilities discount rate is a key risk and, in accordance with International Financial Reporting Standards (IAS 19), is derived from the yields of high quality corporate bonds (deemed to be those with AA ratings) and consequently includes exposure to both risk-free yields and credit spreads. Therefore, the Group's defined benefits scheme valuation would be adversely affected by a prolonged fall in the discount rate or a persistent low rate environment. Inflation is another key risk driver to the pension fund, as the net position could be negatively impacted by an increase in long term inflation expectation.

(iv) *Non-Core assets*

As part of the assets in the Non-Core business, the Group holds a U.K. portfolio of generally longer term loans to counterparties in Education, Social Housing and Local Authorities ("**ESHLA**") sectors which are measured on a fair value basis. The valuation of this portfolio is subject to substantial uncertainty due to the long-dated nature of the portfolios, the lack of a secondary market in the relevant loans and unobservable loan spreads. As a result of these

factors, the Group may be required to revise the fair values of these portfolios to reflect, among other things, changes in valuation methodologies due to changes in industry valuation practices and as further market evidence is obtained in connection with the Non-Core asset run-off and exit process. In 2014, the Group recognised a significant reduction in the fair value of the ESHLA portfolio. Any further negative adjustments to the fair value of the ESHLA portfolio may give rise to significant losses to the Group.

#### *Funding risk*

The ability of the Group to achieve its business plans may be adversely impacted if it does not effectively manage its capital (including leverage) and liquidity ratios.

The Group may not be able to achieve its business plans due to: (i) being unable to maintain appropriate capital ratios; (ii) being unable to meet its obligations as they fall due; (iii) rating agency methodology changes; and (iv) adverse changes in foreign exchange rates on capital ratios.

(i) *Being unable to maintain appropriate capital ratios*

Should the Group be unable to maintain or achieve appropriate capital ratios this could lead to: an inability to support business activity; a failure to meet regulatory requirements including the requirements of regulator set stress tests; increased cost of funding due to deterioration in credit ratings; restrictions on distributions including the ability to meet dividend targets; and/or the need to take additional measures to strengthen the Group's capital or leverage position. Basel III and CRD IV have increased the amount and quality of capital that the Group is required to hold. While CRD IV requirements are now in force in the U.K., changes to capital requirements can still occur, whether as a result of further changes by EU legislators, binding regulatory technical standards being developed by the EBA or changes to the PRA interpretation and application of these requirements to U.K. banks. Such changes, either individually and/or in aggregate, may lead to further unexpected enhanced requirements in relation to the Group's CRD IV capital.

Additional capital requirements will also arise from other regulatory reforms, including U.K., EU and U.S. proposals on bank structural reform, current EBA MREL, proposals under the BRRD and FSB TLAC proposals for G-SIBs. Given many of the proposals are still in draft form and subject to change, the impact is still being assessed. However, it is likely that these changes in law and regulation will have an impact on the Group as they would require changes to the legal entity structure of the Group and how businesses are capitalised and funded. Any such increased capital requirements may also constrain the Group's planned activities, lead to forced asset sales and balance sheet reductions and could increase the Group's costs, impact on the Group's earnings and restrict the Group's ability to pay dividends. Moreover, during periods of market dislocation, or when there is significant competition for the type of funding that the Group needs, increasing the Group's capital resources in order to meet targets may prove more difficult and/or costly.

(ii) *Being unable to meet its obligations as they fall due*

Should the Group fail to manage its liquidity and funding risk sufficiently, this may result in the Group, either not having sufficient financial resources available to meet its payment obligations as they fall due or, although solvent, only being able to meet these obligations at excessive cost. This could cause the Group to fail to meet regulatory liquidity standards, be unable to support day to day banking activities or no longer be a going concern.

(iii) *Rating agency methodology changes*

See "*A downgrade of the rating assigned by any credit rating agency to the Issuer or to the Securities could adversely affect the liquidity or market value of the Securities. Ratings downgrades could occur as a result of, among other causes, changes in the ratings methodologies used by credit rating agencies. Changes in credit rating agencies' views of the level of implicit sovereign support for European banks and their groups are likely to lead to ratings downgrades*" above for a description of the risks relating to ratings, including as a result of any change in ratings methodologies. While ratings reviews anticipated for 2015 have now been concluded, there is a risk that the recent downgrade actions taken, or any potential future

downgrades, could impact the Group's performance should borrowing cost and liquidity change significantly versus expectations or the credit spreads of the Group be negatively affected.

(iv) *Adverse changes in foreign exchange rates on capital ratios*

The Group has capital resources and risk weighted assets denominated in foreign currencies and changes in foreign currency exchange rates may adversely impact the sterling equivalent value of foreign currency denominated capital resources and risk weighted assets. As a result, the Group's regulatory capital ratios are sensitive to foreign currency movements. Failure to appropriately manage the Group's balance sheet to take account of this risk could result in an adverse impact on regulatory capital ratios. While the impact is difficult to predict with any accuracy it may have a material adverse effect on the Group's operations as a result of a failure in maintaining appropriate capital and leverage ratios.

*Operational risk*

The operational risk profile of the Group may change as a result of human factors, inadequate or failed internal processes and systems, and external events.

The Group is exposed to many types of operational risk, including fraudulent and other criminal activities (both internal and external), the risk of breakdowns in processes, controls or procedures (or their inadequacy relative to the size and scope of the Group's business), systems failure or an attempt, by an external party, to make a service or supporting infrastructure unavailable to its intended users, known as a denial of service attack, and the risk of geopolitical cyber threat activity destabilising or destroying the Group's IT (or critical infrastructure the Group depends upon but does not control) in support of critical economic business functions. The Group is also subject to the risk of disruption of its business arising from events that are wholly or partially beyond its control (for example natural disasters, acts of terrorism, epidemics and transport or utility failures) which may give rise to losses or reductions in service to customers and/or economic loss to the Group. The operational risks that the Group is exposed to could change rapidly and there is no guarantee that the Group's processes, controls, procedures and systems are sufficient to address, or could adapt promptly to, such changing risks. All of these risks are also applicable where the Group relies on outside suppliers or vendors to provide services to it and its customers.

(i) *Cyber attacks*

The threat posed by cyber attacks continues to grow and the banking industry has suffered major cyber attacks during the year. Activists, nation states, criminal gangs, insiders and opportunists are among those targeting computer systems. Given the increasing sophistication and scope of potential cyber attack, it is possible that future attacks may lead to significant breaches of security. The occurrence of one or more of such events may jeopardise the Group or the Group's clients' or counterparties' confidential and other information processed and stored in, and transmitted through, the Group's computer systems and networks, or otherwise cause interruptions or malfunctions in the Group's, clients', counterparties' or third parties' operations, which could impact their ability to transact with the Group or otherwise result in significant losses or reputational damage.

Failure to adequately manage cyber security risk and continually review and update current processes in response to new threats could adversely affect the Group's reputation, operations, financial condition and prospects. The range of impacts includes increased fraud losses, customer detriment, regulatory censure and penalty, legal liability and potential reputational damage.

(ii) *Infrastructure and technology resilience*

The Group's technological infrastructure is critical to the operation of the Group's businesses and delivery of products and services to customers and clients. Sustained disruption in a customer's access to their key account information or delays in making payments could have a significant impact on the Group's reputation and may also lead to potentially large costs to both rectify the issue and reimburse losses incurred by customers.



(iii) *Ability to hire and retain appropriately qualified employees*

The Group is largely dependent on highly skilled and qualified individuals. Therefore, the Group's continued ability to manage and grow its business, to compete effectively and to respond to an increasingly complex regulatory environment is dependent on attracting new talented and diverse employees and retaining appropriately qualified employees.

In particular, as the Group continues to implement changes to its compensation structures in response to new legislation, there is a risk that some employees may decide to leave the Group. This may be particularly evident among those employees who are impacted by changes to deferral structures and new claw back arrangements. Additionally, colleagues who have specialist sets of skills within control functions or within specific geographies that are currently in high demand may also decide to leave the Group as competitors seek to attract top industry talent to their own organisations. Finally, the impact of regulatory changes such as the introduction of the Individual Accountabilities Regime, under which greater individual responsibility and accountability will be imposed on senior managers and non-executives of U.K. banks and the structural reform of banking, may also reduce the attractiveness of the financial services industry to high calibre candidates in specific geographies.

Failure by the Group to prevent the departure of appropriately qualified employees, to retain qualified staff who are dedicated to oversee and manage current and future regulatory standards and expectations, or to quickly and effectively replace such employees, could negatively impact the Group's results of operations, financial condition, prospects and level of employee engagement.

(iv) *Critical accounting estimates and judgements*

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgement in applying relevant accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the consolidated and individual financial statements, include credit impairment charges for amortised cost assets, impairment and valuation of available for sale investments, calculation of current and deferred tax, fair value of financial instruments, valuation of provisions and accounting for pensions and post-retirement benefits. There is a risk that if the judgement exercised or the estimates or assumptions used subsequently turn out to be incorrect then this could result in significant loss to the Group, beyond that anticipated or provided for.

The further development of standards and interpretations under IFRS could also significantly impact the financial results, condition and prospects of the Group. For example, the introduction of IFRS 9 "Financial Instruments" is likely to have a material impact on the measurement and impairment of financial instruments held.

(v) *Legal, competition and regulatory matters*

Legal disputes, regulatory investigations, fines and other sanctions relating to conduct of business and financial crime may negatively affect the Group's results, reputation and ability to conduct its business.

The Group conducts diverse activities in a highly regulated global market and therefore is exposed to the risk of fines and other sanctions relating to the conduct of its business. In recent years there has been an increased willingness on the part of authorities to investigate past practices, vigorously pursue alleged breaches and impose heavy penalties on financial services firms; this trend is expected to continue. In relation to financial crime, a breach of applicable legislation and/or regulations could result in the Group or its staff being subject to criminal prosecution, regulatory censure and other sanctions in the jurisdictions in which it operates, particularly in the U.K. and U.S. Where clients, customers or other third parties are harmed by the Group's conduct this may also give rise to legal proceedings, including class actions, particularly in the U.S. Other legal disputes may also arise between the Group and third parties relating to matters such as breaches, enforcement of legal rights or obligations arising under contracts, statutes or common law. Adverse findings in any such matters may result in the Group

being liable to third parties seeking damages, or may result in the Group's rights not being enforced as intended.

Details of material, legal, competition and regulatory matters to which the Group is currently exposed are set out in Note 17 (*Legal, competition and regulatory matters*) to the financial statements of the Issuer contained in the 2015 Interim Results Announcement. In addition to those material ongoing matters, the Group is engaged in numerous other legal proceedings in various jurisdictions which arise in the ordinary course of business, as well as being subject to requests for information, investigations and other reviews by regulators and other authorities in connection with business activities in which the Group is or has been engaged. In light of the uncertainties involved in legal, competition and regulatory matters, there can be no assurance that the outcome of a particular matter or matters will not be material to the Group's results of operations or cash flow for a particular period, depending on, among other things, the amount of the loss resulting from the matter(s) and the amount of income otherwise reported for the period.

The outcome of material legal, competition and regulatory matters, both those to which the Group is currently exposed and any others which may arise in the future, is difficult to predict. However, it is likely that in connection with any such matters the Group will incur significant expense, regardless of the ultimate outcome, and one or more of such matters could expose the Group to any of the following: substantial monetary damages and/or fines; remediation of affected customers and clients; other penalties and injunctive relief; additional litigation; criminal prosecution in certain circumstances; the loss of any existing agreed protection from prosecution; regulatory restrictions on the Group's business including the withdrawal of authorisations; increased regulatory compliance requirements; suspension of operations; public reprimands; loss of significant assets or business; a negative effect on the Group's reputation; loss of investor confidence; and/or dismissal resignation of key individuals.

There is also a risk that the outcome of any legal, competition or regulatory matters in which the Group is involved may give rise to changes in law or regulation as part of a wider response by relevant law makers and regulators. An adverse decision in any one matter, either against the Group or another financial institution facing similar claims, could lead to further claims against the Group.

(vi) *Risks arising from regulatory change and scrutiny*

The financial services industry continues to be the focus of significant regulatory change and scrutiny which may adversely affect the Group's business, financial performance, capital and risk management strategies.

(a) *Regulatory change*

The Group, in common with much of the financial services industry, continues to be subject to significant levels of regulatory change and increasing scrutiny in many of the countries in which it operates (including, in particular, the U.K. and the U.S. and in light of its significant investment banking operations). This has led to a more intensive approach to supervision and oversight, increased expectations and enhanced requirements, including with regard to: (i) capital, liquidity and leverage requirements (for example arising from Basel III and CRD IV); (ii) structural reform and recovery and resolution planning; and (iii) market infrastructure reforms such as the clearing of over-the-counter derivatives. As a result, regulatory risk will continue to be a focus of senior management attention and consume significant levels of business resources. Furthermore, this more intensive approach and the enhanced requirements, uncertainty and extent of international regulatory coordination as enhanced supervisory standards are developed and implemented may adversely affect the Group's business, capital and risk management strategies and/or may result in the Group deciding to modify its legal entity structure, capital and funding structures and business mix or to exit certain business activities altogether or to determine not to expand in areas despite their otherwise attractive potential.

(b) *Additional PRA supervisory expectations, including changes to CRD IV*

The Group's results and ability to conduct its business may be negatively affected by changes to CRD IV or additional supervisory expectations.

To protect financial stability the Financial Policy Committee of the Bank of England (the "**FPC**") has legal powers to make recommendations about the application of prudential requirements. In addition, it may, for example, be given powers to direct the PRA and FCA to adjust capital requirements through Sectoral Capital Requirements ("**SCR**"). Directions would apply to all U.K. banks and building societies, rather than to the Group specifically. The FPC has directed the PRA to establish a leverage ratio framework, in relation to major UK bank and building societies on a consolidated basis, that consists of a minimum leverage ratio requirement of 3% (to supersede the previous PRA expectation) and two leverage ratio buffers (a countercyclical leverage ratio buffer and global systemically important institutions (G-SII) additional leverage ratio buffer). In July 2015, the PRA published a consultation paper setting out how it intends to achieve this, including draft rules. The PRA proposed that the leverage ratio framework should come into force on 1 January 2016. However, based on the FPC direction, the G-SII additional leverage ratio buffer should be phased in from 2016, alongside the risk-weighted G-SII buffer.

Changes to CRD IV requirements, U.K. regulators' interpretations of them, or additional supervisory expectations, either individually or in aggregate, may lead to unexpected enhanced requirements in relation to the Group's capital, leverage, liquidity and funding ratios or alter the way such ratios are calculated. This may result in a need for further management actions to meet the changed requirements, such as: increasing capital or liquidity resources, reducing leverage and risk weighted assets; modifying legal entity structure (including with regard to issuance and deployment of capital and funding for the Group); changing the Group's business mix or exiting other businesses; and/or undertaking other actions to strengthen the Group's position.

(c) *Market infrastructure reforms*

The European Market Infrastructure Regulation ("**EMIR**") introduces requirements to improve transparency and reduce the risks associated with the derivatives market. Certain of these requirements came into force in 2013 and 2014 and still more will become effective in 2015. EMIR requires EU-established entities that enter into any form of derivative contract to: report every derivative contract entered into to a trade repository; implement new risk management standards for all bilateral over-the-counter derivative trades that are not cleared by a central counterparty; and clear, through a central counterparty, over-the-counter derivatives that are subject to a mandatory clearing obligation (although this clearing obligation will only apply to certain counterparties).

CRD IV aims to complement EMIR by applying higher capital requirements for bilateral, over-the-counter derivative trades. Lower capital requirements for cleared trades are only available if the central counterparty is recognised as a 'qualifying central counterparty', which has been authorised or recognised under EMIR (in accordance with related binding technical standards). Further significant market infrastructure reforms will be introduced by amendments to the EU Markets in Financial Instruments Directive that are expected to be implemented in 2016.

In the U.S., the Dodd-Frank Act also mandates that many types of derivatives that were previously traded in the over-the-counter markets must be traded on an exchange or swap execution facility and must be centrally cleared through a regulated clearing house. In addition, participants in these markets are now made subject to Commodity Futures Trading Commission ("**CFTC**") and Securities and Exchange Commission ("**SEC**") regulation and oversight.

It is possible that other additional regulations, and the related expenses and requirements, will increase the cost of and restrict participation in the derivative markets, thereby

increasing the costs of engaging in hedging or other transactions and reducing liquidity and the use of the derivative markets.

Changes in regulation of the derivative markets could adversely affect the business of the Group and its affiliates in these markets and could make it more difficult and expensive to conduct hedging and trading activities, which could in turn reduce the demand for swap dealer and similar services of the Group and its subsidiaries. In addition, as a result of these increased costs, the new regulation of the derivative markets may also result in the Group deciding to reduce its activity in these markets.

(d) *Structural reform*

A number of jurisdictions have enacted or are considering legislation and rulemaking that could have a significant impact on the structure, business risk and management of the Group and of the financial services industry more generally.

Key developments that are relevant to the Group include:

- The U.K. Financial Services (Banking Reform) Act 2013 (the "**Banking Reform Act**"), gives U.K. authorities the power to implement key recommendations of the Independent Commission on Banking, including the separation of the U.K. and EEA retail banking activities of the largest U.K. banks into a legally, operationally and economically separate and independent entity (so-called 'ring fencing'). It is expected that banks will have to comply with these ring-fencing requirements from January 2019;
- The European Commission structural reform proposals of January 2014 (which are still in discussion) for a directive to implement recommendations of the EU High Level Expert Group Review (the "**Liikanen Review**"). The directive would apply to EU globally significant financial institutions;
- Implementation of the requirement to create a U.S. IHC structure to hold its U.S. banking and non-banking subsidiaries, including Barclays Capital Inc., the Group's U.S. broker-dealer subsidiary. The IHC will generally be subject to supervision and regulation, including as to regulatory capital and stress testing, by the Federal Reserve Bank (the "**FRB**") as if it were a U.S. bank holding company of comparable size. The Group will be required to form its IHC by 1 July 2016. The IHC will be subject to the U.S. generally applicable minimum leverage capital requirement (which is different to the Basel III international leverage ratio, including to the extent that the generally applicable U.S. leverage ratio does not include off-balance sheet exposures) starting 1 January 2018. The Group continues to evaluate the implications of the FRB's IHC final rules (issued in February 2014) for the Group. Nevertheless, the Group currently believes that, in the aggregate, the final rules (and, in particular, the leverage requirements in the final rules that will be applicable to the IHC in 2018) are likely to increase the operational costs and capital requirements and/or require changes to the business mix of the Group's U.S. operations, which ultimately may have an adverse effect on the Group's overall result of operations; and
- Implementation of the so-called 'Volcker Rule' under the Dodd-Frank Act. The Volcker Rule, once fully effective, will prohibit banking entities, including the Issuer, the Bank and their various subsidiaries and affiliates from undertaking certain "proprietary trading" activities and will limit the sponsorship of, and investment in, private equity funds and hedge funds, in each case broadly defined, by such entities. The rules will also require the Group to develop an extensive compliance and monitoring programme (both inside and outside of the U.S.), subject to various executive officer attestation requirements, addressing proprietary trading and covered fund activities, and the Group therefore expects compliance costs to increase. The final rule is highly complex and its full impact will not be known with certainty until market practices and structures develop under it. Subject entities are generally required to be in compliance with the

prohibition on proprietary trading and the requirement to develop an extensive compliance programme by July 2015 (with certain provisions subject to possible extensions).

These laws and regulations and the way in which they are interpreted and implemented by regulators may have a number of significant consequences, including changes to the legal entity structure of the Group, changes to how and where capital and funding is raised and deployed within the Group, increased requirements for loss-absorbing capacity within the Group and/or at the level of certain legal entities or sub-groups within the Group and potential modifications to the business mix and model (including potential exit of certain business activities). These and other regulatory changes and the resulting actions taken to address such regulatory changes, may have an adverse impact on the Group's profitability, operating flexibility, flexibility of deployment of capital and funding, return on equity, ability to pay dividends and/or financial condition. It is not yet possible to predict the detail of such legislation or regulatory rulemaking or the ultimate consequences to the Group which could be material.

(e) *Regulatory bank resolution framework*

The Banking Act provides for a regime to allow the Bank of England (or, in certain circumstances, HM Treasury) to resolve failing banks in the U.K. – see "*Regulatory action in the event a bank or investment firm in the Group is failing or likely to fail could materially adversely affect the value of the Securities*" above.

(f) *Recovery and resolution planning*

There continues to be a strong regulatory focus on resolvability from international and U.K. regulators. The Group made its first formal Recovery and Resolution Plan ("**RRP**") submissions to the U.K. and U.S. regulators in mid-2012 and has continued to work with the relevant authorities to identify and address impediments to resolvability.

In the U.K., RRP work is now considered part of continuing supervision. Removal of barriers to resolution will be considered as part of the PRA's supervisory strategy for each firm, and the PRA can require firms to make significant changes in order to enhance resolvability.

In the U.S., Barclays is one of several systemically important banks (as one of the so-called "first wave filers") required to file resolution plans with the Federal Reserve and the FDIC under provisions of the Dodd-Frank Act. The regulators provided feedback in August 2014 with respect to the 2013 resolution plans submitted by first wave filers. This feedback required such filers to make substantive improvements to their plans for filing in 2015 or face potential punitive actions which, in extremis, could lead to forced divestitures or reductions in operational footprints in the U.S. Barclays is working with its U.S. regulators to address these issues and will file its revised plan in June 2015. It is uncertain when or in what form U.S. regulators will review and assess Barclays' U.S. resolution plan filing.

In South Africa, the South African Treasury and the South Africa Reserve Bank are considering material new legislation and regulation to adopt a resolution and depositor guarantee scheme in alignment with FSB principles. Barclays Africa Group Limited ("**BAGL**") and Absa Bank will be subject to these schemes as they are adopted. It is not clear what shape these schemes will take or when they will be adopted, but current proposals for a funded deposit insurance scheme and for operational continuity could result in material new expense impacts for the BAGL group.

Whilst the Group believes that it is making good progress in reducing impediments to resolution, should the relevant authorities ultimately decide that the Group or any significant subsidiary is not resolvable, the impact of such structural changes (whether in connection with RRP or other structural reform initiatives) could impact capital, liquidity and leverage ratios, as well as the overall profitability of the Group, for example via duplicated infrastructure costs, lost cross-rate revenues and additional funding costs.

### *Conduct risk*

Any inappropriate judgements or actions taken by the Group, in the execution of business activities or otherwise, may adversely impact the Group or its employees. In addition, any such actions may have a detrimental impact on the Group's customers, clients or counterparties.

Such judgements or actions may negatively impact the Group in a number of ways including, for example, negative publicity and consequent erosion of reputation, loss of revenue, imposition of fines, litigation, higher scrutiny and/or intervention from regulators, regulatory or legislative action, loss of existing or potential client business, criminal and civil penalties and other damages, reduced workforce morale, and difficulties in recruiting and retaining talent. The Group may self-identify incidents of inappropriate judgement which might include non-compliance with regulatory requirements where consumers have suffered detriment leading to remediation of affected customers.

There are a number of areas where the Group has sustained financial and reputational damage from previous periods and where the consequences continued in 2014 and are likely to have further adverse effects in 2015 and possibly beyond.

As a global financial services firm, the Group is subject to the risks associated with money laundering, terrorist financing, bribery and corruption and economic sanctions and may be adversely impacted if it does not adequately mitigate the risk that its employees or third parties facilitate or that its products and services may be used to facilitate financial crime activities.

Furthermore, the Group's brand may be adversely impacted from any association, action or inaction which is perceived by stakeholders to be inappropriate or unethical and not in keeping with the Group's stated purpose and values.

Failure to appropriately manage these risks and the potential negative impact to the Group's reputation may reduce, directly or indirectly, the attractiveness of the Group to stakeholders, including customers and clients. Furthermore, such a failure may undermine market integrity and result in detriment to the Group's clients, customers, counterparties or employees leading to remediation of affected customers by the Group.

## INFORMATION INCORPORATED BY REFERENCE

The following information has been filed with the SIX Swiss Exchange and shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the Joint Annual Report of the Issuer and the Bank, as jointly filed with the SEC on Form 20-F on 3 March 2015 in respect of the financial years ended 31 December 2013 and 31 December 2014 (the "**Joint Annual Report**"); and
- (b) the joint unaudited Interim Results Announcement of the Issuer and the Bank as filed with the SEC on Form 6-K on 29 July 2015 in respect of the six months ended 30 June 2015 (the "**2015 Interim Results Announcement**").

The above documents may be inspected as described in paragraph 7 of "*General Information*" and are available on the SEC's website at <http://www.sec.gov>. Copies of documents incorporated by reference in this Offering Circular as well as this Offering Circular and any supplements thereto, if any, are available free of charge in Switzerland at the office of BNP PARIBAS SECURITIES SERVICES, Paris, succursale de Zurich, Selnaustrasse 16, CH-8002 Zurich, Switzerland or may be obtained by fax (+41 58 212 6360) or email ([ZURICH\\_BP2S\\_CUSTODY@bnpparibas.com](mailto:ZURICH_BP2S_CUSTODY@bnpparibas.com)).

The Issuer has applied IFRS/IAS as issued by the International Accounting Standards Board and as adopted by the EU in the financial statements incorporated by reference above. A summary of the significant accounting policies for the Issuer is included in the Joint Annual Report.

## TERMS AND CONDITIONS OF THE SECURITIES

*The following, subject to completion and amendment, are the terms and conditions of the Securities substantially as they will appear in the trust deed constituting the Securities. The wording appearing in italics below is included for disclosure purposes only and does not form part of the terms and conditions of the Securities.*

The £1,000,000,000 7.875 per cent. Fixed Rate Resetting Perpetual Subordinated Contingent Convertible Securities (Callable 2022 and Every Five Years Thereafter) (the "**Securities**", which expression includes any further securities issued pursuant to Condition 15 (*Further Issues*) and forming a single series therewith) of Barclays PLC (the "**Issuer**") are constituted by, are subject to, and have the benefit of, a trust deed dated 11 August 2015 (as amended and/or restated and/or supplemented from time to time, the "**Trust Deed**") between the Issuer and BNY Mellon Corporate Trustee Services Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 11 August 2015 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, The Bank of New York Mellon (Luxembourg) S.A. as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Securities), The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Securities), the transfer agents named therein (the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Securities), the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Securities), The Bank of New York Mellon, London Branch as calculation agent (the "**Calculation Agent**", which expression includes any successor calculation agent appointed from time to time in connection with the Securities) and the Trustee. References herein to the "**Agents**" are to the Registrar, the Principal Paying Agent, the Transfer Agents, the Paying Agents and the Calculation Agent and any reference to an "**Agent**" is to any one of them. Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and are subject to their detailed provisions. The Holders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection by Holders during normal business hours at the registered office for the time being of the Trustee, being at the date hereof One Canada Square, London E14 5AL and at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

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

#### (a) *Form and denomination*

The Securities are in registered form in the denominations of £200,000 and integral multiples of £1,000 in excess thereof (each, an "**Authorised Denomination**").

#### (b) *Status*

The Securities constitute direct, unsecured and subordinated obligations of the Issuer, ranking *pari passu* without any preference among themselves. The rights and claims of the Holders in respect of or arising from the Securities (including any damages (if payable)) are subordinated to the claims of Senior Creditors.

If:

- (i) an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except in any such case for a solvent winding-up solely for the purpose of a merger, reconstruction or amalgamation); or
- (ii) following the appointment of an administrator of the Issuer, the administrator gives notice that it intends to declare and distribute a dividend,

then, (1) if such events specified in (i) or (ii) above occur before the date on which a Capital Adequacy Trigger Event occurs, there shall be payable by the Issuer in respect of



each Security (in lieu of any other payment by the Issuer) such amount, if any, as would have been payable to a Holder if, on the day prior to the commencement of the winding-up or such administration and thereafter, such Holder were the holder of the most senior class of preference shares in the capital of the Issuer, having an equal right to a return of assets in the winding-up or such administration to, and so ranking *pari passu* with, the holders of such class of preference shares (if any) from time to time issued by the Issuer that has a preferential right to a return of assets in the winding-up or such administration, and so ranking ahead of the holders of all other classes of issued shares for the time being in the capital of the Issuer, but ranking junior to the claims of Senior Creditors, and on the assumption that the amount that such Holder was entitled to receive in respect of such preference shares, on a return of assets in such winding-up or such administration, was an amount equal to the principal amount of the relevant Security together with any damages (if payable) and (2) if such events specified in (i) or (ii) above occur on or after the date on which a Capital Adequacy Trigger Event occurs but before the Conversion Date, then for purposes of determining the claim of a Holder in such winding-up or such administration, the Conversion Date in respect of an Automatic Conversion shall be deemed to have occurred immediately before the occurrence of such events specified in (i) or (ii) above.

Furthermore, other than in the event of a winding-up or administration of the Issuer specified in (i) or (ii) above, payments in respect of or arising from the Securities are conditional upon the Issuer being solvent at the time of payment by the Issuer and in that no sum in respect of or arising from the Securities may fall due and be paid except to the extent that the Issuer could make such payment and still be solvent immediately thereafter (such condition referred to herein as the "**Solvency Condition**"). The Issuer shall be considered to be solvent at a particular point in time if (i) it is able to pay its debts owed to Senior Creditors as they fall due and (ii) the Balance Sheet Condition has been met.

A certificate as to whether or not the Issuer is solvent at any particular point in time by two Authorised Signatories shall be treated by the Issuer, the Trustee, the Holders and all other interested parties as correct and sufficient evidence thereof.

Any payment of interest not due by reason of this paragraph (b) shall be deemed cancelled as provided in Condition 4(b) (*Interest Cancellation – Restriction on interest payments*).

"**Senior Creditors**" means creditors of the Issuer (i) who are unsubordinated creditors; (ii) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up or administration of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise; or (iii) whose claims are, or are expressed to be, junior to the claims of other creditors of the Issuer, whether subordinated or unsubordinated, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Holders.

The "**Balance Sheet Condition**" shall be satisfied in relation to the Issuer if the value of its assets is at least equal to the value of its liabilities (taking into account its contingent and prospective liabilities), according to the criteria that would be applied by the High Court of Justice of England and Wales (or the relevant authority of such other jurisdiction in which the Issuer may be organised) in determining whether the Issuer is "unable to pay its debts" under section 123(2) of the U.K. Insolvency Act 1986 or any amendment or re-enactment thereof (or in accordance with the corresponding provisions of the applicable laws of such other jurisdiction in which the Issuer may be organised).

(c) *No set-off*

Subject to applicable law, no Holder 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 Securities and each Holder shall, by virtue of its holding of any Securities, be deemed to have waived all such rights of set-off, compensation or retention. Notwithstanding the above, if any amounts due and payable

to any Holder by the Issuer in respect of, or arising under, the Securities are discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (or, in the event of its winding-up or administration, the liquidator or administrator of the Issuer, as the case may be) and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer (or the liquidator or administrator of the Issuer, as the case may be) and, accordingly, any such discharge shall be deemed not to have taken place.

(d) *The Trustee*

The provisions of paragraph (b) (*Status*) apply only to the principal and interest and any other amounts payable in respect of the Securities and nothing in paragraph (b) (*Status*) or in Conditions 4 (*Interest Cancellation*), 8 (*Automatic Conversion*) or 10 (*Enforcement Events and Remedies*) shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Trustee or the rights and remedies of the Trustee in respect thereof.

The Trustee shall have no responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with any non-payment of interest, principal or other amounts by reason of paragraph (b) (*Status*) or Condition 4 (*Interest Cancellation*) or any Automatic Conversion pursuant to Condition 8 (*Automatic Conversion*). Furthermore, the Trustee shall not be responsible for any calculation or the verification of any calculation in connection with any of the foregoing.

2. **Register, Title and Transfers**

(a) *Register*

The Registrar will maintain a register (the "**Register**") in respect of the Securities in accordance with the provisions of the Agency Agreement. In these Conditions, the "**Holder**" of a Security means the person in whose name such Security is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof). A certificate (each, a "**Certificate**") will be issued to each Holder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) *Title*

The Holder of each Security shall (except as otherwise required by law) be treated as the absolute owner of such Security for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of the Securities or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

(c) *Transfers*

Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Security may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Security may not be transferred unless the principal amount of Securities transferred and (where not all of the Securities held by a Holder are being transferred) the principal amount of the balance of Securities not transferred are Authorised Denominations. Where not all the Securities represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Securities will be issued to the transferor.

(d) *Registration and delivery of Certificates*

Within five business days of the surrender of a Certificate in accordance with paragraph (c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Securities transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

(e) *No charge*

The transfer of a Security will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) *Closed periods*

Holders may not require transfers to be registered during the period of 15 days ending on any Interest Payment Date or the date fixed for redemption (if any), as the case may be.

(g) *Regulations concerning transfers and registration*

All transfers of Securities and entries on the Register are subject to the detailed regulations concerning the transfer of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Holder who requests in writing a copy of such regulations.

3. **Interest**

(a) *Interest accrual*

The Securities bear interest at the applicable Rate of Interest from (and including) the Issue Date and the amount of such interest will (subject to Condition 4 (*Interest Cancellation*), Condition 6 (*Payments*) and Condition 8 (*Automatic Conversion*)) be payable on each Interest Payment Date, in accordance with the provisions of this Condition 3. Each Security will cease to bear interest from the date fixed for redemption (if any) unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest in accordance with, and subject to, the Conditions (both before and after judgment) until the day on which such principal is received by or on behalf of the relevant Holder.

(b) *Rate of interest*

(i) The rate of interest in respect of the period from (and including) the Issue Date to (but excluding) 15 September 2022 will be 7.875 per cent. per annum (the "**Initial Interest Rate**").

(ii) The rate of interest in respect of each period from (and including) a Reset Date to (but excluding) the next following Reset Date shall be the aggregate of the applicable Mid-Market Swap Rate on the relevant Reset Determination Date and 6.099 per cent., adjusted for quarterly coupons (the "**Subsequent Interest Rate**").

(c) *Interest Payment Dates*

- (i) Subject to Condition 4 (*Interest Cancellation*) and paragraph (ii) below, interest, if any, will be payable quarterly in arrear on 15 March, 15 June, 15 September and 15 December of each year (each, an "**Interest Payment Date**").
- (ii) Subject to Condition 4 (*Interest Cancellation*), the first date on which interest may be paid will be 15 December 2015 for the period commencing on (and including) the Issue Date and ending on (but excluding) 15 December 2015.

(d) *Calculation of interest amount*

Subject to Condition 4 (*Interest Cancellation*) and Condition 6 (*Payments*), the amount of interest payable in respect of each Security shall be calculated by applying the relevant Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest penny (half a penny being rounded upwards) and multiplying such rounded figure by a fraction equal to the Authorised Denomination of such Security divided by the Calculation Amount.

(e) *Determination of Subsequent Interest Rate*

Each Subsequent Interest Rate shall be determined by the Calculation Agent on the relevant Reset Determination Date.

(f) *Publication*

The Calculation Agent will cause each Subsequent Interest Rate determined by it to be notified to the Issuer, the Paying Agents, the Trustee and the competent authority and/or stock exchange by which the Securities have then been admitted to listing and/or trading as soon as possible after such determination but in any event not later than the Reset Date. Notice thereof shall also be given to the Holders by the Calculation Agent in accordance with Condition 16 (*Notices*) as soon as possible after the determination thereof.

(g) *Notifications etc.*

All notifications, opinions, communications, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 3 (*Interest*) by the Calculation Agent will (in the absence of manifest error) be final and binding on the Issuer, the Trustee, the Paying Agents and the Holders. No Holder shall be entitled to proceed against the Calculation Agent, the Trustee, the Paying Agents or any of them in connection with the exercise or non-exercise by them of their powers, duties and discretions hereunder, including without limitation in respect of any notification, opinion, determination, certificate, calculation, quotation or decision given, expressed or made for the purposes of this Condition 3 (*Interest*).

The Calculation Agent shall not be responsible to the Issuer, the Holders or any third party for any failure of the Reference Banks to provide quotations as requested of them or as a result of the Calculation Agent having acted on any quotation or other information given by any Reference Bank which subsequently may be found to be incorrect or inaccurate in any way.

(h) *Determination by the Trustee*

If the Calculation Agent does not at any time for any reason determine the Subsequent Interest Rate, the Trustee, or an agent on its behalf appointed at the expense of the Issuer, shall do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee or its agent shall apply the foregoing provisions of this Condition 3 (*Interest*), with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

4. **Interest Cancellation**

(a) *Interest payments discretionary*

Interest on the Securities is due and payable only at the sole discretion of the Issuer, and the Issuer shall have sole and absolute discretion at all times and for any reason to cancel (in whole or in part) any interest payment that would otherwise be payable on any Interest Payment Date. If the Issuer does not make an interest payment on the relevant Interest Payment Date (or if the Issuer elects to make a payment of a portion, but not all, of such interest payment), such non-payment shall evidence the Issuer's exercise of its discretion to cancel such interest payment (or the portion of such interest payment not paid), and accordingly such interest payment (or the portion thereof not paid) shall not be due and payable.

If the Issuer provides notice to cancel a portion, but not all, of an interest payment and the Issuer subsequently does not make a payment of the remaining portion of such interest payment on the relevant Interest Payment Date, such non-payment shall evidence the Issuer's exercise of its discretion to cancel such remaining portion of the interest payment, and accordingly such remaining portion of the interest payment shall also not be due and payable.

(b) *Restriction on interest payments*

(i) Subject to the extent permitted in paragraph (b)(ii) below, the Issuer shall not make an interest payment on the Securities on any Interest Payment Date (and such interest payment shall therefore be deemed to have been cancelled and thus shall not be due and payable on such Interest Payment Date) if:

(A) the Issuer has an amount of Distributable Items on such Interest Payment Date that is less than the sum of (i) all distributions or interest payments made or declared by the Issuer since the end of the last financial year and prior to such Interest Payment Date on or in respect of any Parity Securities, the Securities and any Junior Securities and (ii) all distributions or interest payments payable by the Issuer (and not cancelled or deemed cancelled) on such Interest Payment Date (x) on the Securities and (y) on or in respect of any Parity Securities, in the case of each of (i) and (ii), excluding any payments already accounted for in determining the Distributable Items; or

(B) the Solvency Condition is not satisfied in respect of such interest payment.

(ii) The Issuer may, in its sole discretion, elect to make a partial interest payment on the Securities on any Interest Payment Date, only to the extent that such partial interest payment may be made without breaching the restrictions set out in paragraph (b)(i) above.

The Issuer shall be responsible for determining compliance with this paragraph (b) (*Restriction on interest payments*) and neither the Trustee nor any Agent shall be required to monitor such compliance or to perform any calculations in connection therewith.

(c) *Agreement to interest cancellation*

By subscribing for, purchasing or otherwise acquiring the Securities, Holders acknowledge and agree that:

(i) interest is payable solely at the discretion of the Issuer, and no amount of interest shall become due and payable in respect of the relevant interest period to the extent that it has been (x) cancelled (in whole or in part) by the Issuer at its sole discretion and/or (y) deemed cancelled (in whole or in part) as a result of

the Issuer having insufficient Distributable Items or failing to satisfy the Solvency Condition; and

- (ii) a cancellation or deemed cancellation of interest (in each case, in whole or in part) in accordance with these Conditions shall not constitute a default in payment or otherwise under the terms of the Securities.

(d) *Effect of interest cancellation*

Interest will only be due and payable on an Interest Payment Date to the extent it is not cancelled or deemed cancelled in accordance with paragraph (a) (*Interest payments discretionary*) and paragraph (b) (*Restriction on interest payments*). Any interest cancelled or deemed cancelled (in each case, in whole or in part) in such circumstances shall not be due and shall not accumulate or be payable at any time thereafter, and Holders shall have no rights thereto or to receive any additional interest or compensation as a result of such cancellation or deemed cancellation. The Issuer may use such cancelled payments without restriction to meet its obligations as they fall due.

(e) *Notice of interest cancellation*

The Issuer shall provide notice of any cancellation or deemed cancellation of interest (in whole or in part) to the Holders in accordance with Condition 16 (*Notices*) and to the Trustee and the Principal Paying Agent as soon as possible. If practicable, the Issuer shall endeavour to provide such notice at least five business days prior to the relevant Interest Payment Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation or deemed cancellation of interest, or give Holders any rights as a result of such failure.

## 5. **Redemption and Purchase**

(a) *No fixed redemption date*

The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 1(b) (*Status*) and Condition 10 (*Enforcement Events and Remedies*) and without prejudice to the provisions of Condition 11 (*Prescription*)) only have the right to redeem or repurchase the Securities in accordance with the following provisions of this Condition 5 (*Redemption and Purchase*).

(b) *Issuer's call option*

Subject to paragraph (e) (*Conditions to redemption*), the Issuer may, at its option, redeem the Securities, in whole but not in part, on any Reset Date at 100 per cent. of their principal amount, together with any accrued but unpaid interest (which excludes any interest cancelled or deemed cancelled in accordance with Condition 4 (*Interest Cancellation*)) to (but excluding) the date fixed for redemption.

(c) *Redemption for Regulatory Event*

Subject to paragraph (e) (*Conditions to redemption*), if there is a change in the regulatory classification of the Securities that occurs on or after the Issue Date and that does, or would be likely to, result in the whole or any part of the outstanding aggregate principal amount of the Securities at any time being excluded from, or ceasing to count towards, the Group's Tier 1 Capital (a "**Regulatory Event**"), the Issuer may, at its option, at any time redeem the Securities, in whole but not in part, at a redemption price equal to 100 per cent. of their principal amount, together with any accrued but unpaid interest (which excludes any interest cancelled or deemed cancelled in accordance with Condition 4 (*Interest Cancellation*)) to (but excluding) the date fixed for redemption.

(d) *Redemption for Tax Event*

Subject to paragraph (e) (*Conditions to redemption*), the Securities may be redeemed at the option of the Issuer, in whole but not in part, at any time at a redemption price of 100 per cent. of their principal amount, together with any accrued but unpaid interest (which excludes any interest cancelled or deemed cancelled in accordance with Condition 4 (*Interest Cancellation*)) to (but excluding) the date fixed for redemption, if the Issuer determines that as a result of a change in, or amendment to, the laws or regulations of a Taxing Jurisdiction, including any treaty to which the relevant Taxing Jurisdiction is a party, or a change in an official application of those laws or regulations on or after the Issue Date, including a decision of any court or tribunal which becomes effective on or after the Issue Date (and, in the case of a Successor Entity, which becomes effective on or after the date of that entity's assumption of the Issuer's obligations):

- (i) the Issuer will or would be required to pay Holders Additional Amounts;
- (ii) the Issuer would not be entitled to claim a deduction in respect of any payments in computing its taxation liabilities or the amount of the deduction would be materially reduced;
- (iii) the Issuer would not, as a result of the Securities being in issue, be able to have losses or deductions set against the profits or gains, or profits or gains offset by the losses or deductions, of companies with which the Issuer is or would otherwise be so grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date of issue of the Securities or any similar system or systems having like effect as may from time to time exist); or
- (iv) the Issuer would, in the future, have to bring into account a taxable credit if the principal amount of the Securities was written down or the Securities were converted into Conversion Shares;

(each such change in tax law or regulation or the official application thereof, a "**Tax Event**");

*provided that* in the case of each Tax Event, the consequences of the Tax Event cannot be avoided by the Issuer taking reasonable measures available to it.

(e) *Conditions to redemption*

- (i) *PRA consent*: Notwithstanding any other provision, the Issuer may redeem the Securities (and give notice thereof to the Holders) only if it has obtained the PRA's prior consent (if such consent is then required by the Capital Regulations) for the redemption of the Securities.
- (ii) *Issuer's certificate on Tax Event*: in the case of a redemption in accordance with paragraph (d) (*Redemption for Tax Event*), prior to giving notice of redemption in accordance with paragraph (iv) (*Notice of redemption*), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer following receipt of an opinion of a firm of independent legal advisers or accountants to the effect either that such a circumstance does exist or that, upon a change in or amendment to the laws or regulations of a Taxing Jurisdiction, including any treaty to which the relevant Taxing Jurisdiction is a party, or a change in the official application of those laws or regulations, which at the date of such certificate is proposed to be made and in the opinion of such firm and the Issuer (based on such opinion) is reasonably expected to become effective on or prior to the date when the relevant payment in respect of the Securities would otherwise be made, becoming so effective, such circumstances would exist. The Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the circumstances set out above and without

further enquiry or liability for so doing, in which event it shall be conclusive and binding on the Holders.

- (iii) *Issuer's certificate on a Regulatory Event:* in the case of a redemption in accordance with paragraph (c) (*Redemption for Regulatory Event*), prior to giving notice of redemption in accordance with paragraph (iv) (*Notice of redemption*), the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the relevant circumstance referred to in paragraph (c) (*Redemption for Regulatory Event*) does exist. Such certificate shall be treated by the Issuer, the Trustee, the Holders and all other interested parties as correct, conclusive and sufficient evidence thereof.
- (iv) *Notice of redemption:* Any redemption of the Securities shall be subject to the Issuer providing not less than 30 days' nor more than 60 days' prior notice to the Holders in accordance with Condition 16 (*Notices*) and to the Trustee and the Principal Paying Agent (such notice being irrevocable except in the limited circumstances set out in paragraph (v) (*Solvency Condition*) and (vi) (*Capital Adequacy Trigger Event*)) specifying the Issuer's election to redeem the Securities and the date fixed for such redemption. The Issuer shall not be entitled to deliver a notice of redemption after an Automatic Conversion Notice has been delivered.
- (v) *Solvency Condition:* If the Issuer has elected to redeem the Securities but the Solvency Condition is not satisfied in respect of the relevant redemption payment on the applicable redemption date, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect and no payment of the redemption amount will be due and payable. The Issuer shall notify the Holders in accordance with Condition 16 (*Notices*) and the Trustee and the Principal Paying Agent of any such rescission as soon as practicable prior to, or, as the case may be, following, the applicable redemption date.
- (vi) *Capital Adequacy Trigger Event:* If the Issuer has elected to redeem the Securities but prior to the payment of the redemption amount with respect to such redemption a Capital Adequacy Trigger Event occurs, the relevant notice of redemption shall be automatically rescinded and shall be of no force and effect, no payment of the redemption amount will be due and payable and an Automatic Conversion shall occur in accordance with Condition 8 (*Automatic Conversion*). The Issuer shall deliver an Automatic Conversion Notice in accordance with Condition 8 (*Automatic Conversion*).

(f) *Purchase*

The Issuer or any member of the Group may purchase or otherwise acquire any of the outstanding Securities at any price in the open market or otherwise in accordance with the Capital Regulations applicable to the Group in force at the relevant time, and subject to the prior consent of the PRA (if such consent is then required by the Capital Regulations) and to applicable law and regulation.

(g) *Cancellation*

All Securities redeemed by the Issuer pursuant to this Condition 5 (*Redemption and Purchase*) shall be cancelled and may not be reissued or resold. All Securities purchased by or on behalf of the Issuer or any member of the Group may be held, reissued, resold and/or, at the option of the Issuer or any such member of the Group, surrendered for cancellation. Any Securities so surrendered for cancellation may not be reissued or resold.

(h) *Trustee Not Obligated to Monitor*

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 5 (*Redemption and Purchase*) and will not



be responsible to Holders for any loss arising from any failure by it to do so. Unless and until the Trustee has actual knowledge of the occurrence of any event or circumstance within this Condition 5 (*Redemption and Purchase*), it shall be entitled to assume that no such event or circumstance exists.

*The rules under CRD IV prescribe certain conditions for the granting of permission by the PRA to a request by the Issuer to redeem or repurchase the Securities. In this respect, the CRD IV Regulation provides that the competent authority (the PRA in the case of the Issuer) shall grant permission to a redemption or repurchase of the Securities provided that either of the following conditions is met, as applicable to the Securities:*

- (1) *on or before such redemption or repurchase of the Securities, the Issuer replaces the Securities with own funds instruments of an equal or higher quality on terms that are sustainable for its income capacity; or*
- (2) *the Issuer has demonstrated to the satisfaction of the PRA that its own funds would, following such redemption or repurchase, exceed the capital ratios required under CRD IV by a margin that the PRA may consider necessary on the basis set out in CRD IV for it to determine the appropriate level of capital of an institution.*

*In addition, the rules under CRD IV provide that the PRA may only permit the Issuer to redeem the Securities before five years after the date of issuance of the Securities if:*

- (a) *the conditions listed in paragraphs (1) or (2) above are met; and*
- (b) *in the case of redemption due to the occurrence of a Regulatory Event, (i) the PRA considers such change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the PRA that the Regulatory Event was not reasonably foreseeable at the time of the issuance of the Securities; or*
- (c) *in the case of redemption due to the occurrence of a Tax Event, the Issuer demonstrates to the satisfaction of the PRA that such Tax Event is material and was not reasonably foreseeable at the time of issuance of the Securities.*

*The rules under CRD IV may be modified from time to time after the date of issuance of the Securities.*

## 6. **Payments**

### (a) *Principal*

Payments of principal shall be made by Sterling cheque drawn on, or, upon application by a Holder to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a Sterling account maintained by the payee with, a bank in London and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

### (b) *Interest*

Payments of interest shall be made by Sterling cheque drawn on, or, upon application by a Holder to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to a Sterling account maintained by the payee with, a bank in London and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

### (c) *Payments subject to fiscal laws*

All payments in respect of the Securities are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, or other laws and regulations to

which the Issuer or its Agents agree to be subject and, save as provided in Condition 7 (*Taxation*), neither the Issuer nor any of its Agents will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements. No commissions or expenses shall be charged to the Holders in respect of such payments.

(d) *Payments on Payment Business Days*

Subject to Conditions 4 (*Interest Cancellation*), 5 (*Redemption and Purchase*) and 8 (*Automatic Conversion*), where payment is to be made by transfer to a Sterling account, payment instructions (for value the relevant Interest Payment Date or the date fixed for redemption, as the case may be, or, if such date is not a Payment Business Day, for value the next succeeding Payment Business Day (but no interest will accrue during the period from and after the Interest Payment Date or the date fixed for redemption, as the case may be)) will be initiated and, where payment is to be made by Sterling cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the date fixed for redemption and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the relevant Interest Payment Date. A Holder shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the date fixed for redemption or the relevant Interest Payment Date, as the case may be, not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 6 (*Payments*) arriving after the due date for payment or being lost in the mail.

(e) *Partial payments*

If a Paying Agent makes a partial payment in respect of any Security, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

(f) *Record date*

Each payment in respect of a Security will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the relevant Interest Payment Date or the date fixed for redemption (if any), as the case may be (the "**Record Date**"). Where payment in respect of a Security is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

7. **Taxation**

All payments of principal and interest in respect of the Securities by or on behalf of the Issuer shall be made free and clear of, and without deduction or withholding for, or on account of, any and all present or future income, stamp and other taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("**taxes**") now or hereafter imposed, levied, collected, withheld or assessed by, or on behalf of, the United Kingdom or any political subdivision or authority thereof or therein that has the power to tax (each, a "**Taxing Jurisdiction**"), unless the deduction or withholding is required by law. In that event, but subject to the restrictions referred to below, the Issuer shall pay such additional amounts (the "**Additional Amounts**") as will result in receipt by the Holders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. However, no such Additional Amounts shall be payable in respect of any Security because:

- (i) the Holder or the beneficial owner of the Securities is a domiciliary, national or resident of, or engages in business or maintains a permanent establishment or is physically present in a Taxing Jurisdiction requiring that deduction or withholding, or otherwise has some connection with the Taxing Jurisdiction

other than the holding or ownership of the Security, or the collection of any payment of, or in respect of, the principal of, or any interest on, any Securities;

- (ii) except in the case of the Issuer's winding-up in England, the relevant Security is presented for payment in the United Kingdom;
- (iii) the relevant Security is presented for payment more than 30 days after the date payment became due or was provided for, whichever is later, except to the extent that the Holder would have been entitled to the Additional Amounts on presenting the Security for payment at the close of such 30-day period;
- (iv) the Holder or the beneficial owner of the relevant Securities or the beneficial owner of any payment of (or in respect of) principal of, or any interest on Securities failed to make any necessary claim or to comply with any certification, identification or other requirements concerning the nationality, residence, identity or connection with the Taxing Jurisdiction of such Holder or beneficial owner, if such claim or compliance is required by statute, treaty, regulation or administrative practice of the Taxing Jurisdiction as a condition to relief or exemption from such taxes;
- (v) such taxes are imposed on a payment to an individual and are required to be made pursuant to the European Union Directive on the taxation of savings income, adopted on 3 June 2003, or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (vi) the relevant Security is presented for payment by, or on behalf of, a Holder who would have been able to avoid such deduction or withholding by presenting the relevant Security to a paying agent in a member state of the European Union or elsewhere; or
- (vii) if the taxes would not have been imposed or would have been excluded under one of the preceding points if the beneficial owner of, or person ultimately entitled to obtain an interest in, the Securities had been the Holder.

The restrictions on interest payment in Condition 4(b) (*Interest Cancellation – Restriction on Interest Payments*) shall apply to any Additional Amounts *mutatis mutandis*.

In these Conditions, any reference to principal or interest shall be deemed to include any Additional Amounts in respect of principal or interest (as the case may be) which are, were or would be payable under this Condition 7 (*Taxation*).

For the avoidance of doubt, any amounts to be paid by the Issuer on the Securities will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement) (a "**FATCA Withholding Tax**"), and the Issuer will not be required to pay Additional Amounts on account of any FATCA Withholding Tax.

## 8. **Automatic Conversion**

### (a) *Automatic Conversion Upon Capital Adequacy Trigger Event*

- (i) *Automatic Conversion*: If a Capital Adequacy Trigger Event occurs, then an Automatic Conversion will occur on the Conversion Date at which point all of the Issuer's obligations under the Securities (other than the CSO Obligations, if any) shall be irrevocably and automatically released in consideration of the Issuer's issuance of the Conversion Shares to the Conversion Shares Depository on the Conversion Date at the Conversion Price. Under no circumstances shall

such released obligations be reinstated. If the Issuer has been unable to appoint a Conversion Shares Depository, it shall make such other arrangements for the issuance and/or delivery of the Conversion Shares or Conversion Shares Offer Consideration, as applicable, to the Holders as it shall consider reasonable in the circumstances, which may include issuing the Conversion Shares to another nominee or to the Holders directly, which issuance shall irrevocably and automatically release all of the Issuer's obligations under the Securities (other than the CSO Obligations, if any) as if the Conversion Shares had been issued to the Conversion Shares Depository.

A "**Capital Adequacy Trigger Event**" shall occur if the Issuer determines at any time that the fully loaded CET1 Ratio is less than 7.00 per cent. The Automatic Conversion shall occur without delay upon the occurrence of a Capital Adequacy Trigger Event.

The Conversion Shares shall initially be registered in the name of the Conversion Shares Depository (which shall hold the Conversion Shares on behalf of the Holders) or the relevant recipient as contemplated above, and each Holder shall be deemed to have irrevocably directed the Issuer to issue the Conversion Shares corresponding to the conversion of its holding of Securities to the Conversion Shares Depository (or to such other relevant recipient).

- (ii) *Automatic Conversion Notice*: Upon the occurrence of a Capital Adequacy Trigger Event, the Issuer shall immediately inform the PRA and shall deliver the Automatic Conversion Notice to the Holders in accordance with Condition 16 (*Notices*) and paragraph (b) (*Automatic Conversion Procedure*) and to the Trustee and the Principal Paying Agent. On or (if reasonably practicable) prior to giving the Automatic Conversion Notice, the Issuer shall deliver to the Trustee a certificate signed by two Authorised Signatories of the Issuer stating that the Capital Adequacy Trigger Event has occurred and the Trustee shall be entitled to accept such certificate as sufficient evidence of the occurrence of such event, in which event such certificate shall be conclusive and binding on the Trustee and the Holders.
- (iii) *Effect of Automatic Conversion*: Following an Automatic Conversion, no Holder will have any rights against the Issuer with respect to the repayment of the principal amount of the Securities or the payment of interest or any other amount on or in respect of such Securities, which liabilities of the Issuer shall be irrevocably and automatically released and, accordingly, the principal amount of the Securities shall equal zero at all times thereafter. Any interest in respect of an interest period ending on any Interest Payment Date falling between the date of a Capital Adequacy Trigger Event and the Conversion Date shall be deemed to have been cancelled upon the occurrence of such Capital Adequacy Trigger Event and shall not be due and payable.

Following the issuance of the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient as contemplated above and as applicable) on the Conversion Date, the Securities shall remain in existence until the applicable Cancellation Date for the sole purpose of evidencing (a) the Holder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depository (or such other relevant recipient) and (b) the Issuer's CSO Obligations, if any.

- (iv) *No recourse to the Issuer*: Provided that the Issuer issues the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient as contemplated above) in accordance with these Conditions, with effect from the Conversion Date, Holders shall have recourse only to the Conversion Shares Depository (or to such other relevant recipient, as applicable) for the delivery to them of Conversion Shares or, if the Issuer elects that a Conversion Shares Offer be made pursuant to paragraph (d) (*Conversion Share Offer*) below, of any Conversion Shares Offer Consideration to which such Holders are entitled.

- (v) *Agreement and waiver by the Holders:* Notwithstanding any other provision herein, by its subscription, purchase or other acquisition of the Securities, each Holder shall (i) agree to all the Conditions, including, without limitation, those related to (x) the occurrence of a Capital Adequacy Trigger Event and any related Automatic Conversion and (y) the appointment of the Conversion Shares Depository, the issuance of the Conversion Shares to the Conversion Shares Depository (or to the relevant recipient in accordance with these Conditions) and the potential sale of the Conversion Shares pursuant to a Conversion Shares Offer, (ii) agree that effective upon, and following, an Automatic Conversion, no amount shall be due and payable to the Holders under the Securities and the liability of the Issuer to pay any such amounts (including the principal amount of, or any interest in respect of, the Securities) shall be automatically released, and the Holders shall not have the right to give a direction to the Trustee with respect to the Capital Adequacy Trigger Event and any related Automatic Conversion and (iii) waive any claims related to or arising out of or in connection with a Capital Adequacy Trigger Event and/or any Automatic Conversion.
- (vi) *No option to convert:* The Securities are not convertible into Conversion Shares at the option of the Holders at any time.

(b) *Automatic Conversion Procedure*

If a Capital Adequacy Trigger Event has occurred, the Issuer shall deliver an Automatic Conversion Notice to the Trustee, the Principal Paying Agent and the Holders in accordance with Condition 16 (*Notices*) as soon as practicable after such time.

Notwithstanding Condition 16 (*Notices*), the Automatic Conversion Notice shall be deemed to have been given on the date on which it is dispatched to the Trustee and the Holders.

Within 10 business days following the Conversion Date, the Issuer shall deliver a Conversion Shares Offer Notice to the Trustee directly and to the Holders in accordance with Condition 16 (*Notices*).

(c) *The Conversion Shares*

The number of Conversion Shares to be issued to the Conversion Shares Depository on the Conversion Date shall be determined by dividing the aggregate principal amount of the Securities outstanding immediately prior to the Automatic Conversion on the Conversion Date by the Conversion Price rounded down, if necessary, to the nearest whole number of Conversion Shares. Fractions of Conversion Shares will not be issued following an Automatic Conversion and no cash payment will be made in lieu thereof.

The number of Conversion Shares to be held by the Conversion Shares Depository for the benefit of each Holder shall be the number of Conversion Shares thus calculated divided by the aggregate amount of the Authorised Denomination of the Securities held by such Holder on the Conversion Date rounded down, if necessary, to the nearest whole number of Conversion Shares.

The Conversion Shares issued following an Automatic Conversion will be fully paid and non-assessable and will in all respects rank *pari passu* with the Issuer's fully paid ordinary shares in issue on the Conversion Date, except in any such case for any right excluded by mandatory provisions of applicable law, and except that the Conversion Shares so issued will not rank for (or, as the case may be, the relevant Holder shall not be entitled to receive) any rights, the entitlement to which falls prior to the Conversion Date.

The Conversion Shares Depository (or the relevant recipient in accordance with these Conditions, as applicable) shall hold the Conversion Shares on behalf of the Holders, who shall be entitled to direct the Conversion Shares Depository or such other recipient,

as applicable, to exercise on their behalf all rights of an ordinary shareholder (including voting rights and rights to receive dividends) except that Holders shall not be able to sell or otherwise transfer the Conversion Shares until such time as they have been delivered to Holders in accordance with the procedures set forth in paragraph (e) (*Settlement Procedure*).

If a Qualifying Takeover Event shall have occurred, then, where the Conversion Date falls on or after the QTE Effective Date, Approved Entity Shares of the Approved Entity shall be issued to the Conversion Shares Depository on the Conversion Date instead of Conversion Shares, in accordance with Condition 9(e) (*Adjustments to the Conversion Price – Qualifying Takeover Event*).

The Conversion Shares or the Conversion Shares Offer Consideration, as the case may be, will be delivered to Holders pursuant to the procedures set forth in paragraph (e) (*Settlement Procedure*) below.

(d) *Conversion Share Offer*

No later than 10 business days following the Conversion Date, the Issuer may, in its sole and absolute discretion, elect that the Conversion Shares Depository make an offer of all or some of the Conversion Shares to all or some of the Issuer's ordinary shareholders at such time at a cash price per Conversion Share equal to the Conversion Price, subject as provided below (the "**Conversion Shares Offer**"). The Issuer may, on behalf of the Conversion Shares Depository, appoint a Conversion Shares Offer Agent to act as placement or other agent to facilitate the Conversion Shares Offer.

The Issuer will deliver a Conversion Shares Offer Notice to the Trustee directly and to the Holders in accordance with Condition 16 (*Notices*) within 10 business days following the Conversion Date specifying whether or not it has elected that a Conversion Shares Offer be conducted. If so elected, the Conversion Shares Offer Period, during which the Conversion Shares Offer may be made, shall end no later than 40 business days after the giving by the Issuer of the Conversion Shares Offer Notice.

Any Conversion Shares Offer shall be made subject to applicable laws and regulations in effect at the relevant time and shall be conducted, if at all, only to the extent that the Issuer, in its sole and absolute discretion, determines that the Conversion Shares Offer is practicable. The Issuer or the purchasers of the Conversion Shares sold in any Conversion Shares Offer shall bear the costs and expenses of any Conversion Shares Offer (other than the taxes referred to in the definition of Conversion Shares Offer Consideration), including the fees of the Conversion Shares Offer Agent, if any. If a prospectus or other offering document is required to be prepared in connection with a Conversion Shares Offer, the Issuer will facilitate the preparation of such prospectus or other offering document, and the Issuer and/or its directors will take responsibility for such prospectus or other offering document, in each case, if and to the extent then required by applicable laws and regulations then in effect. In addition, if so requested by the Conversion Shares Depository as offeror, the Issuer shall indemnify the Conversion Shares Depository for any losses incurred in connection with any Conversion Shares Offer.

Upon completion of the Conversion Shares Offer, the Issuer or the Conversion Shares Depository will provide notice to the Trustee and the Holders in accordance with Condition 16 (*Notices*) of the composition of the Conversion Shares Offer Consideration (and of the deductions to the cash component, if any, of the Conversion Shares Offer Consideration (as set out in the definition of Conversion Shares Offer Consideration)) per Calculation Amount.

The Issuer reserves the right, in its sole and absolute discretion, to terminate the Conversion Shares Offer at any time during the Conversion Shares Offer Period by providing at least three business days' notice to the Trustee directly and to the Holders in accordance with Condition 16 (*Notices*), and, if it does so, the Issuer may, in its sole and absolute discretion, take steps (including changing the Suspension Date) to deliver to

Holders the Conversion Shares at a time that is earlier than the time at which they would have otherwise received the Conversion Shares Offer Consideration had the Conversion Shares Offer been completed.

By its subscription for, purchase or other acquisition of the Securities, each Holder acknowledges and agrees that if the Issuer elects, in its sole and absolute discretion, that a Conversion Shares Offer be conducted by the Conversion Shares Depository such Holder shall be deemed to have: (i) irrevocably consented to any Conversion Shares Offer and to the Conversion Shares Depository using the Conversion Shares to settle any Conversion Shares Offer in accordance with these Conditions, (ii) consented to the transfer of the beneficial interest it holds in the Conversion Shares to the Conversion Shares Depository in connection with the Conversion Shares Offer in accordance with these Conditions, (iii) irrevocably agreed that the Issuer, the Conversion Shares Depository and the Conversion Shares Offer Agent, if any, may take any and all actions necessary to conduct the Conversion Shares Offer in accordance with these Conditions, and (iv) agreed that none of the Issuer, the Trustee, the Conversion Shares Depository, if any, or the Conversion Shares Offer Agent, if any, shall, to the extent permitted by applicable law, incur any liability to the Holders in respect of the Conversion Shares Offer (except for the obligations of the Conversion Shares Depository in respect of the Holders' entitlement to any Conversion Shares Offer Consideration).

Neither the occurrence of a Capital Adequacy Trigger Event nor, following the occurrence of a Capital Adequacy Trigger Event, the election (if any) by the Issuer to undertake a Conversion Shares Offer on the terms set out herein, shall preclude the Issuer from undertaking a rights issue at any time on such terms as the Issuer deems appropriate, at its sole discretion, including, for the avoidance of doubt, the offer of ordinary shares at or below the Conversion Price.

(e) *Settlement Procedure*

Delivery of the Conversion Shares or Conversion Shares Offer Consideration, as applicable, to the Holders will be made in accordance with the following procedures:

- (i) *Conversion Shares in uncertificated form:* the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) will be delivered to Holders in uncertificated form through the dematerialised securities trading system operated by Euroclear UK & Ireland Limited, known as CREST, unless the Conversion Shares are not a participating security in CREST at the relevant time, in which case the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) will either be delivered in the form of the relevant clearing system in which the Conversion Shares are a participating security or in certificated form, as notified by the Issuer to the Holders in accordance with Condition 16 (*Notices*). Where the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) are to be delivered through CREST or such other clearing system in which such Conversion Shares are a participating security, they will be delivered to the account specified by the relevant Holder in the relevant Conversion Shares Settlement Notice.
- (ii) *Conversion Shares in certificated form:* where the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) are to be delivered in certificated form, the name of the relevant Holder (or its nominee) will be entered in the Issuer's share register and a certificate in respect thereof will be dispatched by mail free of charge to the relevant Holder or as it may direct in the relevant Conversion Shares Settlement Notice.
- (iii) *Cash component:* the cash component, if any, of any Conversion Shares Offer Consideration will be paid to the Holders by (A) Sterling cheque drawn on a bank in London and mailed to their address shown on the Register on or around

the date on which the Conversion Shares Offer Period ends, or (B) if the relevant Conversion Shares Settlement Notice is delivered to the Conversion Shares Depository before the end of the Conversion Shares Offer Period, by transfer on or around the date on which the Conversion Shares Offer Period ends to such Sterling account maintained by the payee with a bank in London as the Holder may direct in such notice.

- (iv) *Clearance Services*: the Conversion Shares (and the Conversion Share component, if any, of any Conversion Shares Offer Consideration) will not be available for delivery (A) to, or to a nominee for, Clearstream, Luxembourg or Euroclear or any other person providing a clearance service within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom or (B) to a person, or nominee or agent for a person, whose business is or includes issuing depository receipts within the meaning of Section 93 of the Finance Act 1986 of the United Kingdom, in each case at any time prior to the "abolition day" as defined in Section 111(1) of the Finance Act 1990 of the United Kingdom, or, if earlier, such other time at which the Issuer, in its absolute discretion, determines that no charge under Section 67, 70, 93 or 96 of the Finance Act 1986 or any similar charge (under any successor legislation) would arise as a result of such delivery or (C) to the CREST account of such a person mentioned in (A) or (B).
- (v) *Taxes*: neither the Issuer, nor any member of the Group shall be liable for any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the delivery of Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration), which tax shall be borne solely by the Holder or, if different, the person to whom the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) are delivered.
- (vi) *Suspension Date*: the Conversion Shares Offer Notice shall specify the Suspension Date. On the Suspension Date, the Issuer shall deliver a Conversion Shares Settlement Request Notice to the Trustee directly and to the Holders in accordance with Condition 16 (*Notices*). Such notice shall request that Holders complete a Conversion Shares Settlement Notice and shall specify the Notice Cut-off Date and the Final Cancellation Date.
- (vii) *Conversion Shares Settlement Notice*: in order to obtain delivery of the relevant Conversion Shares or Conversion Share component, if any, of any Conversion Shares Offer Consideration, as applicable, a Holder must deliver its Conversion Shares Settlement Notice to the Conversion Shares Depository on or before the Notice Cut-off Date. If such delivery is made after the end of normal business hours at the specified office of the Conversion Shares Depository, such delivery shall be deemed for all purposes to have been made or given on the next following business day. The Conversion Shares Settlement Notice must be delivered to the specified office of the Conversion Shares Depository together with the relevant Securities.

Each Conversion Shares Settlement Notice shall be irrevocable. Failure to properly complete and deliver a Conversion Shares Settlement Notice and the relevant Securities, if applicable, may result in such notice being treated by the Conversion Shares Depository as null and void. Any determination as to whether any Conversion Shares Settlement Notice has been properly completed and delivered shall be made by the Conversion Shares Depository in its sole and absolute discretion and shall be conclusive and binding on the relevant holder.

- (viii) *Delivery of Conversion Shares on the Settlement Date*: Subject as provided herein and provided the Conversion Shares Settlement Notice and the relevant Securities, if applicable, are delivered on or before the Notice Cut-off Date, the Conversion Shares Depository shall deliver the relevant Conversion Shares (rounded down to the nearest whole number of Conversion Shares) or



Conversion Share component, if any, of any Conversion Shares Offer Consideration (rounded down to the nearest whole number of Conversion Shares), as applicable, to the Holder of the relevant Securities completing the relevant Conversion Shares Settlement Notice or its nominee in accordance with the instructions given in such Conversion Shares Settlement Notice on the applicable Settlement Date.

- (ix) *Failure to deliver a Conversion Shares Settlement Notice*: if a Conversion Shares Settlement Notice and the relevant Securities, if applicable, are not delivered to the Conversion Shares Depository on or before the Notice Cut-off Date, then the Conversion Shares Depository shall continue to hold the relevant Conversion Shares (or Conversion Share component, if any, of any Conversion Shares Offer Consideration) until a Conversion Shares Settlement Notice (and the relevant Securities, if applicable) is so delivered. However, the relevant Securities shall be cancelled on the Final Cancellation Date and any Holder delivering a Conversion Shares Settlement Notice after the Notice Cut-off Date will have to provide evidence of its entitlement to the relevant Conversion Shares (or the relevant Conversion Shares component, if any, of any Conversion Shares Offer Consideration) satisfactory to the Conversion Shares Depository in its sole and absolute discretion in order to receive delivery of such Conversion Shares (or Conversion Share component of any Conversion Shares Offer Consideration).

The Issuer shall have no liability to any Holder for any loss resulting from such Holder not receiving any Conversion Shares (or Conversion Share component of any Conversion Shares Offer Consideration) or from any delay in the receipt thereof, in each case as a result of such holder failing to duly submit a Conversion Shares Settlement Notice and the relevant Securities, if applicable, on a timely basis or at all.

- (f) *Trustee not responsible for Conversion Shares or Conversion Shares Depository*

The Trustee shall not be responsible for implementing or monitoring any Conversion Shares Offer, nor for monitoring or enforcing the obligations of the Conversion Shares Depository in respect thereof. Following Automatic Conversion and delivery of the Conversion Shares to the Conversion Shares Depository, Holders must look to the Conversion Shares Depository (or such other recipient of the Conversion Shares, as set out above) for any Conversion Shares or Conversion Shares Offer Consideration due to them at the relevant time.

## 9. **Adjustments to the Conversion Price**

- (a) *Adjustments to the Conversion Price*

Upon the occurrence of any of the events set out below, the Conversion Price shall be adjusted as follows:

- (i) *Alteration to nominal value*: If and whenever there shall be a consolidation, reclassification or subdivision in relation to the ordinary shares of the Issuer, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to such consolidation, reclassification or subdivision by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of ordinary shares of the Issuer in issue immediately before such consolidation, reclassification or subdivision, as the case may be; and

B is the aggregate number of ordinary shares of the Issuer in issue immediately after, and as a result of, such consolidation, reclassification or subdivision, as the case may be.

Such adjustment shall become effective on the date the consolidation, reclassification or subdivision, as the case may be, takes effect.

- (ii) *Bonus issue*: If and whenever the Issuer shall issue any ordinary shares credited as fully paid to the Issuer's shareholders as a class by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (1) where any such ordinary shares are or are to be issued instead of the whole or part of a Cash Dividend which the Issuer's shareholders would or could otherwise have elected to receive, (2) where the Issuer's shareholders may elect to receive a Cash Dividend in lieu of such ordinary shares or (3) where any such ordinary shares are or are expressed to be issued in lieu of a dividend (whether or not a Cash Dividend equivalent or amount is announced or would otherwise be payable to the Issuer's shareholders, whether at their election or otherwise), the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of ordinary shares of the Issuer in issue immediately before such issue; and

B is the aggregate number of ordinary shares of the Issuer in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such ordinary shares.

- (iii) *Rights issues*: If and whenever the Issuer shall issue any ordinary shares to all or substantially all of the Issuer's shareholders as a class by way of rights at a price per ordinary share which is less than 95 per cent. of the Current Market Price per ordinary share on the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the aggregate number of ordinary shares of the Issuer in issue on the Effective Date;

B is the aggregate number of ordinary shares of the Issuer that the aggregate consideration (if any) receivable for the ordinary shares issued by way of rights would purchase at such Current Market Price per ordinary share on the Effective Date; and

C is the number of ordinary shares to be issued.

Such adjustment shall become effective on the Effective Date.

For the purpose of any calculation of the consideration receivable or price pursuant to this paragraph (iii), the following provisions shall apply:

- (1) the aggregate consideration receivable or price for ordinary shares issued for cash shall be the amount of such cash;
  - (2) if the consideration or price determined pursuant to (1) above (or any component thereof) shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date;
  - (3) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant ordinary shares or otherwise in connection therewith;
  - (4) the consideration or price shall be determined as provided in (1)-(3) above on the basis of the consideration or price received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to the Issuer or another entity; and
  - (5) references herein to "cash" shall be construed as cash consideration within the meaning of Section 583(3) of the Companies Act.
- (iv) *Extraordinary Dividend*: If and whenever the Issuer shall pay any Extraordinary Dividend to shareholders of the Issuer as a class, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one ordinary share on the Effective Date; and
- B is the portion of the aggregate Extraordinary Dividend attributable to one ordinary share, with such portion being determined by dividing the aggregate Extraordinary Dividend by the number of ordinary shares entitled to receive the relevant Extraordinary Dividend. If the Extraordinary Dividend shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date.

Such adjustment shall become effective on the Effective Date.

Notwithstanding the foregoing provisions:

- (A) where the events or circumstances giving rise to any adjustment pursuant to this section have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances that have already given or will give rise to an adjustment to the Conversion Price or where more than one event that gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Issuer, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be determined in good faith by an Independent Financial Adviser to be in its opinion appropriate to give the intended result;

- (B) such modification shall be made to the operation of these Conditions as may be determined in good faith by an Independent Financial Adviser to be in its opinion appropriate to ensure that an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once;
- (C) for the avoidance of doubt, the issue of ordinary shares following an Automatic Conversion or upon any conversion or exchange or the exercise of any other options, warrants or other rights shall not result in an adjustment to the Conversion Price;
- (D) in respect of any adjustment pursuant to paragraphs (i) to (iii) above, such adjustment shall be made only up to the extent it does not result in a Conversion Price that, if applied to the number of relevant Securities at the time of such adjustment, would result in a number of Conversion Shares that constitutes a greater proportion of Conversion Shares as a percentage of the total number of ordinary shares issued had the adjustment not been made nor had the corporate event occurred; and
- (E) in respect of any adjustment pursuant to paragraph (iv) above, such adjustment shall be made only up to the extent it does not result in a Conversion Price that, if applied to the number of relevant Securities at the time of such adjustment, would result in the issue of an additional number of Conversion Shares having a value that is greater than the value of the aggregate Extraordinary Dividend which would be attributable to the ordinary shares underlying the Securities had such ordinary shares been issued.

(b) *No Retroactive Adjustments*

The Issuer shall not issue any additional Conversion Shares if the Automatic Conversion occurs after the record date in respect of any consolidation, reclassification or sub-division as is mentioned in sub-paragraph (i) of paragraph (a) (*Adjustments to the Conversion Price*), or after the record date or other due date for the establishment of entitlement for any such issue, distribution, grant or offer (as the case may be) as is mentioned in sub-paragraphs (ii), (iii) or (iv) of paragraph (a) (*Adjustments to the Conversion Price*), but before the relevant adjustment to the Conversion Price becomes effective under such section.

(c) *Decision of an Independent Financial Adviser*

If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to the appropriate adjustment to such Conversion Price, and following consultation between the Issuer and an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect thereof shall be conclusive and binding on the Issuer, the Trustee and the Holders, save in the case of manifest error.

(d) *Rounding Down and Notice of Adjustment to the Conversion Price*

On any adjustment to the Conversion Price pursuant to this Condition 9, if the resultant Conversion Price is a number with more decimal places than the initial Conversion Price, that number shall be rounded to the same number of decimal places as the initial Conversion Price. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than 1 per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.

Notice of any adjustments to the Conversion Price shall be given by the Issuer to the Trustee and to the Holders in accordance with Condition 16 (*Notices*) promptly after the determination thereof.

The Conversion Price shall not in any event be reduced to below the nominal value of the ordinary shares.

(e) *Qualifying Takeover Event*

Within 10 business days following the occurrence of a Takeover Event, the Issuer shall give notice thereof to the Trustee and to the Holders by means of a Takeover Event Notice.

If the Takeover Event is a Qualifying Takeover Event, the Securities shall, where the Conversion Date falls on or after the QTE Effective Date, be converted into or exchanged for Approved Entity Shares of the Approved Entity, *mutatis mutandis* as provided in Condition 8 (*Automatic Conversion*) above, at a Conversion Price that shall initially be the New Conversion Price, which may be higher or lower than the Conversion Price and references herein to "Conversion Shares" shall be deemed to be references to "Approved Entity Shares".

The New Conversion Price shall be subject to adjustment in the circumstances provided for in Condition 9 (*Adjustments to the Conversion Price*) above (if necessary with such modifications and amendments as an Independent Financial Adviser acting in good faith shall determine to be appropriate and references to "ordinary shares" shall be read as references to "Approved Entity Shares"), and the Issuer shall give notice to the Trustee and to the Holders in accordance with Condition 16 (*Notices*) of the New Conversion Price and of any such modifications and amendments thereafter.

In the case of a Qualifying Takeover Event:

- (i) the Issuer shall, to the extent permitted by applicable law and regulation, on or prior to the QTE Effective Date, enter into such agreements and arrangements (which may include a supplemental trust deed and amendments and modifications to these Conditions and the Trust Deed) as may be required to ensure that, with effect from the QTE Effective Date, the Securities shall be convertible into, or exchangeable for, Approved Entity Shares, *mutatis mutandis* in accordance with, and subject to, the provisions in Condition 8 (*Automatic Conversion*) (as may be so supplemented, amended or modified), at the New Conversion Price and any references to the Conversion Price shall be construed as references to the New Conversion Price; and
- (ii) upon the occurrence of a Capital Adequacy Trigger Event where the Conversion Date falls on or after the QTE Effective Date, the Issuer shall procure (to the extent within its control) the issue of the relevant number of Approved Entity Shares *mutatis mutandis* in the manner provided in Condition 8 (*Automatic Conversion*) above, as may be amended or modified as provided above.

The Trustee shall be obliged (at the expense of the Issuer) to concur with the Issuer in making any such amendments and modifications to the Trust Deed and these Conditions, and to execute any such deeds supplemental to the Trust Deed, provided that the Trustee shall not be bound to do so if any such amendments, modifications or deeds would, in the opinion of the Trustee, have the effect of (i) exposing the Trustee to any liability against which it is not indemnified and/or secured and/or pre-funded to its satisfaction, (ii) changing, increasing or adding to the obligations or duties of the Trustee or (iii) removing or amending any protection or indemnity afforded to, or any other provision in favour of, the Trustee under the Trust Deed, the Conditions and/or the Securities.

For the avoidance of doubt, if a Takeover Event is not a Qualifying Takeover Event (including if that is because the Acquirer is a Governmental Entity), there is no provision

for any automatic adjustment to these Conditions, whether in the manner provided for above in respect of Qualifying Takeover Events, or at all.

10. **Enforcement Events and Remedies**

(a) *Winding-up*

If a Winding-up Event occurs before the occurrence of a Capital Adequacy Trigger Event, subject to Condition 1(b) (*Form, Denomination and Status – Status*), the principal amount of the Securities will become immediately due and payable.

A "**Winding-up Event**" with respect to the Securities shall result if (i) a court of competent jurisdiction in England (or such other jurisdiction in which the Issuer may be organised) makes an order for the winding-up of the Issuer which is not successfully appealed within 30 days of the making of such order, (ii) the shareholders of the Issuer adopt an effective resolution for the winding-up of the Issuer (other than, in the case of either (i) or (ii) above, under or in connection with a scheme of reconstruction, merger or amalgamation not involving a bankruptcy or insolvency) or (iii) following the appointment of an administrator of the Issuer, the administrator gives notice that it intends to declare and distribute a dividend.

(b) *Non-payment*

If the Issuer fails to pay any amount that has become due and payable under the Securities and the failure continues for 14 days, the Trustee may give the Issuer notice of such failure. If within a period of 14 days following the provision of such notice, the failure continues and has not been cured nor waived, the Trustee may, at its discretion and without further notice to the Issuer, institute proceedings in England (or such other jurisdiction in which the Issuer may be organised) (but not elsewhere) for its winding-up and/or prove in its winding-up and/or claim in its liquidation or administration.

No interest will be due and payable if such interest has been cancelled or is deemed cancelled (in each case, in whole or in part) as provided in Condition 4 (*Interest Cancellation*). Accordingly, no default in payment under the Securities will have occurred or be deemed to have occurred in such circumstances.

(c) *Limited remedies for breach of obligations (other than non-payment)*

In addition to the remedies for non-payment provided above, the Trustee may, without further notice, institute such proceedings against the Issuer as the Trustee may think fit to enforce any term, obligation or condition binding on the Issuer under the Securities or the Trust Deed (other than any payment obligation of the Issuer under or arising from the Securities or the Trust Deed, including, without limitation, payment of any principal or interest, excluding any amount due to the Trustee in respect of its fees and/or expenses) (a "**Performance Obligation**"); provided always that the Trustee (acting on behalf of the Holders) and the Holders shall not enforce, and shall not be entitled to enforce or otherwise claim, against the Issuer any judgement or other award given in such proceedings that requires the payment of money by the Issuer, whether by way of damages or otherwise (a "**Monetary Judgment**"), except by proving such Monetary Judgment in a winding-up of the Issuer and/or by claiming such Monetary Judgment in an administration of the Issuer.

(d) *Enforcement*

The Trustee shall not be bound to take any of the actions referred to in paragraph (b) (*Non-payment*) or (c) (*Limited remedies for breach of obligations (other than non-payment)*) above against the Issuer to enforce the terms of the Trust Deed or the Securities unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one quarter of the aggregate principal amount of the Securities then outstanding and (ii) it shall have been indemnified and/or pre-funded and/or secured to its satisfaction.

No Holder shall be entitled to institute any of the proceedings referred to in (b) (*Non-payment*) or (c) (*Limited remedies for breach of obligations (other than non-payment)*) above or to prove in the winding-up of the Issuer and/or claim in an administration of the Issuer, except that if the Trustee, having become bound to proceed against the Issuer as aforesaid, fails to do so within a reasonable period and such failure shall be continuing, then any such Holder may institute such proceedings and/or prove in such winding-up and/or claim in such administration to the same extent (but not further or otherwise) than the Trustee would have been entitled so to do in respect of such Holder's Securities.

(e) *No other remedies*

Other than the limited remedies specified in this Condition 10 (*Enforcement Events and Remedies*) or proving in the winding-up of the Issuer and/or claiming in an administration of the Issuer, no remedy against the Issuer shall be available to the Trustee or the Holders whether for the recovery of amounts owing in respect of the Securities or under the Trust Deed in relation thereto or in respect of any breach by the Issuer of any of its other obligations under or in respect of such Securities or under the Trust Deed in relation thereto.

11. **Prescription**

Claims arising, to the extent permitted under these Conditions, for principal and interest on redemption shall become void unless the relevant Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

12. **Replacement of Certificates**

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13. **Trustee and Agents**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer and the Holders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction, (ii) provisions limiting or excluding its liability in certain circumstances and (iii) provisions entitling it to payment of its fees, costs and expenses in priority to the claims of the Holders. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (A) to evaluate its risk in any given circumstance by considering the worst-case scenario and (B) to require that any indemnity or security given to it by the Holders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of the Issuer's Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of the Issuer's Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Holders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee may rely without liability to the Holders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms

or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice in which event such report, confirmation or certificate or advice shall be binding on the Issuer, the Trustee and the Holders.

In acting under the Agency Agreement and in connection with the Securities, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or principal paying agent and additional or successor paying agents and transfer agents; provided, however, that the Issuer shall at all times maintain (a) a principal paying agent and a registrar, (b) a paying agent in Switzerland, for so long as the Securities are admitted to trading and listing on the SIX Swiss Exchange AG and such exchange so requires, (c) a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC and (d) a calculation agent.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Holders.

#### 14. **Meetings of Holders; Modification and Waiver; Substitution**

##### (a) *Meetings of Holders*

The Trust Deed contains provisions for convening meetings of Holders to consider any matter relating to the Securities, including the modification of any provision of these Conditions or the Trust Deed. Subject as provided in paragraph (c) (*PRA notice or consent*) below, any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or by the Trustee and shall be convened by the Trustee upon the request in writing of Holders holding not less than one-tenth of the aggregate principal amount of the outstanding Securities. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing not less than a clear majority of the aggregate principal amount of the outstanding Securities or, at any adjourned meeting, one or more persons being or representing Holders whatever the principal amount of the Securities held or represented; provided, however, that certain proposals (including any proposal to change any Interest Payment Date or any optional redemption date, to reduce the amount of interest payable in respect of the Securities, to reduce the principal amount of the Securities, to alter the method of calculating of any interest in respect of the Securities, to change the currency of payments under the Securities, to modify the provisions of Condition 1(b) (*Form, Denomination and Status – Status*), to modify the provisions of Condition 8 (*Automatic Conversion*) and/or Condition 9 (*Adjustment to the Conversion Price*) (other than pursuant to or as a result of any amendment to these Conditions and the Trust Deed made pursuant to and in accordance with Condition 9(e) (*Adjustment to the Conversion Price – Qualifying Takeover Event*) or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "**Reserved Matter**") may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which one or more persons holding or representing not less than two-thirds or, at any adjourned meeting, one-third of the aggregate principal amount of the outstanding Securities form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders, whether present or not.

In addition, a resolution in writing signed by or on behalf of the Holders of at least 75 per cent. of the aggregate principal amount of the outstanding Securities will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.



(b) *Modification and waiver*

Subject as provided in paragraph (c) (*PRA notice or consent*) below, the Trustee may, without the consent of the Holders, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) if, in the opinion of the Trustee, such modification is not materially prejudicial to the interests of Holders and to any modification of the Securities or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error. In addition, the Trustee may, without the consent of the Holders, authorise or waive any proposed breach or breach of the Securities or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Holders are not materially prejudiced thereby.

In addition, the Trustee may determine, without the consent of the Holders (except as set out in the Trust Deed), that any Default (as defined in the Trust Deed) shall not be treated as such for the purpose of the Trust Deed and the Securities if, in the opinion of the Trustee, the interests of the Holders are not materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver, determination or modification shall be notified to the Holders as soon as practicable thereafter.

(c) *PRA notice or consent*

These Conditions and the Trust Deed shall only be capable of modification or waiver and the Issuer may only be substituted in accordance with paragraph (d) (*Substitution*), if the Issuer has notified the PRA of such modification, waiver or substitution or obtained the prior consent of the PRA, as the case may be, (if such notice or consent is then required by the Capital Regulations). If the Trustee is requested to consider such modification or waiver of the Conditions or Trust Deed, convene a meeting of Holders in respect thereof or consider a substitution of the Issuer in accordance with paragraph (d) (*Substitution*), the Issuer shall provide to the Trustee a certificate signed by two Authorised Signatories, certifying that it has notified the PRA of, or received the PRA's consent to such modification, waiver or substitution, as the case may be. The Trustee may rely on such certificate without liability for so doing.

(d) *Substitution*

Subject as provided in paragraph (c) (*PRA notice or consent*) above and subject further to (i) such amendments to the Trust Deed as the Trustee may require and to (ii) certain other conditions set out in the Trust Deed being complied with (including, the Trustee being of the opinion that the substitution is not materially prejudicial to the interest of the Holders), but without the consent of the Holders, the Trustee may also agree, subject to the Securities remaining irrevocably guaranteed by the Issuer (subordinated to the same extent as set out in Condition 1(b) (*Form, Denomination and Status – Status*)), to the substitution of any Subsidiary of the Issuer (a "**Successor Entity**") in place of the Issuer as principal debtor under the Securities and the Trust Deed.

In the case of a substitution under this paragraph (d), the Trustee may agree, without the consent of the Holders, to a change of the law governing the Securities and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Holders.

(e) *Effect for the Holders*

Any such modification, waiver, authorisation, determination or substitution shall be binding on all the Holders and, unless the Trustee agrees otherwise, shall be notified to the Holders as soon as practicable thereafter in accordance with Condition 16 (*Notices*).

In connection with the exercise of its powers, trusts, authorities or discretions (including, but not limited to, those in relation to any such modification, waiver, authorisation or substitution as aforesaid) the Trustee shall have regard to the interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to

individual Holders (whatever their number) and in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Holders resulting from the individual Holders 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 Holder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequences of any such exercise upon individual Holders, except to the extent already provided for in Condition 7 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 7 (*Taxation*) pursuant to the Trust Deed.

15. **Further Issues**

The Issuer may from time to time, without the consent of the Holders and in accordance with the Trust Deed, create and issue further Securities having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Securities. The Issuer may from time to time, with the consent of the Trustee, create and issue other series or securities having the benefit of the Trust Deed.

The Trust Deed contains provisions for convening a single meeting of the Holders and the holders of other securities where the Trustee so decides.

16. **Notices**

Notices to the Holders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

17. **Governing Law and Jurisdiction**

(a) *Governing Law*

The Securities and the Trust Deed and any non-contractual obligations arising out of or in connection with the Securities and the Trust Deed are governed by English law.

(b) *Jurisdiction*

The parties to the Trust Deed have (i) agreed that the courts of England shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Securities (including any non-contractual obligation arising out of or in connection with the Securities); and (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue that any other courts are more appropriate or convenient.

18. **Interpretation**

(a) *Definitions*

In these Conditions, the following expressions have the following meanings:

"**Acquirer**" means the person that controls the Issuer following a Takeover Event. For the purposes of this definition, "control" means the acquisition or holding of legal or beneficial ownership of more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Issuer or the right to appoint or remove a majority of the board of directors of the Issuer.

"**Approved Entity**" means a body corporate which, on the occurrence of the Takeover Event, has in issue Approved Entity Shares.

"**Approved Entity Shares**" means ordinary shares in the capital of a body corporate that constitutes equity share capital or the equivalent (or depository or other receipts

representing the same) which are listed and admitted to trading on a Recognised Stock Exchange.

"**Authorised Signatories**" has the meaning given to it in the Trust Deed.

"**Automatic Conversion**" means the irrevocable and automatic release of all of the Issuer's obligations under the Securities (other than the CSO Obligations, if any) in consideration of the Issuer's issuance of the Conversion Shares at the Conversion Price to the Conversion Shares Depository (on behalf of the Holders) or to the relevant recipient, in accordance with these Conditions.

"**Automatic Conversion Notice**" means the written notice to be delivered by the Issuer to the Trustee directly and to the Holders in accordance with Condition 16 (*Notices*) specifying (i) that a Capital Adequacy Trigger Event has occurred, (ii) the Conversion Date or expected Conversion Date, (iii) the Conversion Price, (iv) that the Issuer has the option, at its sole and absolute discretion, to elect that a Conversion Shares Offer be conducted and that the Issuer will issue a Conversion Shares Offer Notice in accordance with Condition 16 (*Notices*) within 10 business days following the Conversion Date notifying Holders of the Issuer's election and (v) that the Securities shall remain in existence for the sole purpose of evidencing (a) the Holder's right to receive Conversion Shares or Conversion Shares Offer Consideration, as applicable, from the Conversion Shares Depository and (b) the Issuer's CSO Obligations, if any, and that the Securities may continue to be transferable until the Suspension Date, which shall be specified in the Conversion Shares Offer Notice.

"**business day**" means any weekday, other than one on which banking institutions are authorised or obligated by law to close in London, unless otherwise defined in the Conditions.

"**Calculation Amount**" means £1,000.

"**Calculation Period**" means the relevant period for which interest is to be calculated from (and including) the first day in such period to (but excluding) the last day in such period.

"**Cancellation Date**" means (i) with respect to any Security for which a Conversion Shares Settlement Notice is received by the Conversion Shares Depository on or before the Notice Cut-off Date, the applicable Settlement Date and (ii) with respect to any Security for which a Conversion Shares Settlement Notice is not received by the Conversion Shares Depository on or before the Notice Cut-off Date, the Final Cancellation Date.

A "**Capital Adequacy Trigger Event**" shall occur if the Issuer determines at any time that the fully loaded CET1 Ratio is less than 7.00 per cent.

"**Capital Regulations**" means, at any time, the laws, regulations, requirements, standards, guidelines and policies relating to capital adequacy for credit institutions of either (i) the PRA and/or (ii) any other national or European authority, in each case then in effect in the United Kingdom (or in such other jurisdiction in which the Issuer may be organised or domiciled) and applicable to the Group including, as at the date hereof, CRD IV and related technical standards.

"**Cash Dividend**" means any dividend or distribution in respect of the ordinary shares to shareholders of the Issuer which is to be paid or made in cash (in whatever currency), and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to shareholders upon or in connection with a reduction of capital.

"**CET1 Capital**" means, at any time, the sum, expressed in pounds sterling, of all amounts that constitute common equity tier 1 capital of the Group, at such time, less any deductions from common equity tier 1 capital required to be made at such time, in each case as determined by the Issuer, on a consolidated basis in accordance with the Capital

Regulations applicable to the Group at such time (which determination shall be binding on the Holders). For the purposes of this definition, the term "common equity tier 1 capital" shall have the meaning assigned to such term in CRD IV as interpreted and applied in accordance with the Capital Regulations then applicable to the Group.

"**Clearing Systems**" means Clearstream Banking, société anonyme, Luxembourg and Euroclear Bank S.A./N.V.

"**Companies Act**" means the Companies Act 2006.

"**Conditions**" means these terms and conditions of the Securities.

"**Conversion Date**" means the date on which the Automatic Conversion shall take place, or has taken place, as applicable.

"**Conversion Price**" means £1.65 per Conversion Share, subject to adjustment in accordance with Condition 9 (*Adjustments to the Conversion Price*).

"**Conversion Shares**" means the ordinary shares of the Issuer to be issued to the Conversion Shares Depository (or to the relevant recipient in accordance with these Conditions) following an Automatic Conversion, which ordinary shares shall be in such number as is determined by dividing the aggregate principal amount of the Securities outstanding immediately prior to the Automatic Conversion on the Conversion Date by the Conversion Price rounded down, if necessary, to the nearest whole number of ordinary shares.

"**Conversion Shares Depository**" means a financial institution, trust company, depository entity, nominee entity or similar entity to be appointed by the Issuer on or prior to any date when a function ascribed to the Conversion Shares Depository in these Conditions is required to be performed, to perform such functions and which as a condition of such appointment, will be required to undertake, for the benefit of the Holders, to hold the Conversion Shares (and any Conversion Shares Offer Consideration) on behalf of such Holders in one or more segregated accounts unless otherwise required for the purposes of the Conversion Shares Offer and, in any event, on terms consistent with these Conditions.

"**Conversion Shares Offer Agent**" means the agent(s), if any, to be appointed on behalf of the Conversion Shares Depository by the Issuer, in its sole and absolute discretion, to act as placement or other agent of the Conversion Shares Depository to facilitate a Conversion Shares Offer.

"**Conversion Shares Offer Consideration**" means in respect of each Security (i) if all of the Conversion Shares are sold in the Conversion Shares Offer, the pro rata share of the cash proceeds from the sale of the Conversion Shares attributable to such Security, (ii) if some but not all of the Conversion Shares are sold in the Conversion Shares Offer, (x) the pro rata share of the cash proceeds from the sale of the Conversion Shares attributable to such Security and (y) the pro rata share of the Conversion Shares not sold pursuant to the Conversion Shares Offer attributable to such Security rounded down to the nearest whole number of Conversion Shares, and (iii) if no Conversion Shares are sold in a Conversion Shares Offer, the relevant Conversion Shares attributable to such Security rounded down to the nearest whole number of Conversion Shares, subject in the case of (i) and (ii)(x) above to deduction from any such cash proceeds of an amount equal to the pro rata share of any stamp duty, stamp duty reserve tax, or any other capital, issue, transfer, registration, financial transaction or documentary tax that may arise or be paid as a consequence of the transfer of any interest in the Conversion Shares to the Conversion Shares Depository as a consequence of the Conversion Shares Offer.

"**Conversion Shares Offer Notice**" means the written notice to be delivered by the Issuer to the Trustee directly and to the Holders in accordance with Condition 16 (*Notices*) specifying (i) whether or not the Issuer has elected that a Conversion Shares Offer be made and, if so, the Conversion Shares Offer Period, (ii) the Suspension Date

and (iii) details of the Conversion Shares Depository or, if the Issuer has been unable to appoint a Conversion Shares Depository, such other arrangements for the issuance and/or delivery of the Conversion Shares or the Conversion Shares Offer Consideration, as applicable, to the Holders as it shall consider reasonable in the circumstances.

**"Conversion Shares Offer Period"** means the period during which the Conversion Shares Offer may occur, which period shall end no later than 40 business days after the delivery of the Conversion Shares Offer Notice.

**"Conversion Shares Settlement Notice"** means a written notice to be delivered by a Holder to the Conversion Shares Depository (or to the relevant recipient in accordance with these Conditions), with a copy to the Trustee, no earlier than the Suspension Date containing the following information: (i) the name of the Holder, (ii) the aggregate amount of the Authorised Denomination of the Securities held by such Holder on the date of such notice, (iii) the name to be entered in the Issuer's share register, (iv) the details of the CREST or other clearing system account or, if the Conversion Shares are not a participating security in CREST or another clearing system, the address to which the Conversion Shares (or the Conversion Share component, if any, of any Conversion Shares Offer Consideration) and/or cash (if not expected to be delivered through the Clearing Systems) should be delivered and (v) such other details as may be required by the Conversion Shares Depository.

**"Conversion Shares Settlement Request Notice"** means the written notice to be delivered by the Issuer to the Trustee directly and to the Holders in accordance with Condition 16 (*Notices*) on the Suspension Date requesting that Holders complete a Conversion Shares Settlement Notice and specifying (i) the Notice Cut-off Date and (ii) the Final Cancellation Date.

**"CRD IV"** means the legislative package consisting of Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as the same may be amended or replaced from time to time, and the CRD IV Regulation.

**"CRD IV Regulation"** means Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms of the European Parliament and of the Council of 26 June 2013, as the same may be amended or replaced from time to time.

**"CSO Obligations"** means the obligations of the Issuer under the Securities that may arise in connection with a Conversion Shares Offer to: (i) facilitate the preparation of a prospectus or other offering document, if applicable, and (ii) take responsibility for such prospectus or other offering document, which obligations (and any claims relating to a failure to facilitate the preparation of, or take responsibility for, such prospectus or other offering document) shall terminate in the event of the winding-up or administration of the Issuer.

**"Current Market Price"** means, in respect of an ordinary share at a particular date, the average of the daily Volume Weighted Average Price of an ordinary share on each of the five consecutive dealing days ending on the dealing day immediately preceding such date; provided that, if at any time during the said five-dealing-day period the Volume Weighted Average Price shall have been based on a price ex-Cash Dividend (or ex- any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-Cash Dividend (or cum- any other entitlement), then:

- (i) if the ordinary shares to be issued do not rank for the Cash Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the ordinary shares shall have been based on a price cum-Cash Dividend (or cum- any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to such Cash Dividend or entitlement per ordinary share as at the date of first public

announcement relating to such Cash Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit; or

- (ii) if the ordinary shares to be issued do rank for the Cash Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the ordinary shares shall have been based on a price ex-Cash Dividend (or ex- any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof increased by an amount equal to such Cash Dividend or entitlement per ordinary share as at the date of first public announcement relating to such Cash Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit,

and provided further that, if on each of the said five dealing days the Volume Weighted Average Price shall have been based on a price cum-Cash Dividend (or cum- any other entitlement) in respect of a Cash Dividend (or other entitlement) which has been declared or announced but the ordinary shares to be issued do not rank for that Cash Dividend (or other entitlement), the Volume Weighted Average Price on each of such dates shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to such Cash Dividend or entitlement per ordinary share as at the date of first public announcement relating to such Cash Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit,

and provided further that, if the Volume Weighted Average Price of an ordinary share is not available on one or more of the said five dealing days (disregarding for this purpose the proviso to the definition of Volume Weighted Average Price), then the average of such Volume Weighted Average Prices which are available in that five-dealing-day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the relevant period, the Current Market Price shall be determined in good faith by an Independent Financial Adviser.

**"Day Count Fraction"** means:

- (i) if the Calculation Period is equal to or shorter than the Regular Period during which it falls, the number of days in the Calculation Period, divided by the product of (1) the number of days in the Regular Period in which the Calculation Period falls and (2) four; and
- (ii) if the Calculation Period is longer than one Regular Period, the sum of:
  - (A) the number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the number of days in such Regular Period and (2) four; and
  - (B) the number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the number of days in such Regular Period and (2) four.

**"dealing day"** means a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is open for business and on which ordinary shares may be dealt in (other than a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is scheduled to or does close prior to its regular weekday closing time).

**"Distributable Items"** shall have the meaning assigned to such term in CRD IV as interpreted and applied in accordance with the Capital Regulations then applicable to the Issuer, but amended so that for so long as there is any reference therein to "before

distributions to holders of own funds instruments" it shall be read as a reference to "before distributions to holders of Parity Securities, the Securities or any Junior Securities."

**"EEA Regulated Market"** means a market as defined by Article 4.1(14) of Directive 2004/39/EC of the European Parliament and of the Council on markets on financial instruments, as the same may be amended from time to time.

**"Effective Date"** means, for the purposes of paragraph (iii) of Condition 9 (*Adjustments to the Conversion Price*), the first date on which the ordinary shares are traded ex-rights, on the Relevant Stock Exchange and, for the purposes of paragraph (iv) of Condition 9 (*Adjustments to the Conversion Price*), the first date on which the ordinary shares are traded ex-the relevant Cash Dividend on the Relevant Stock Exchange.

**"Extraordinary Dividend"** means any Cash Dividend that is expressly declared by the Issuer to be a capital distribution, extraordinary dividend, extraordinary distribution, special dividend, special distribution or return of value to shareholders or any analogous or similar term, in which case the Extraordinary Dividend shall be such Cash Dividend.

**"Final Cancellation Date"** means the date on which the Securities in relation to which no Conversion Shares Settlement Notice has been received by the Conversion Shares Depository on or before the Notice Cut-off Date shall be cancelled, which date may be up to 12 business days following the Notice Cut-off Date.

**"Five-year Mid-Market Swap Rate Quotations"** means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on an Actual/365 day count basis) of a fixed-for-floating sterling interest rate swap transaction which: (i) has a term of five years commencing on the applicable Reset Date; (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and (iii) has a floating leg based on six-month LIBOR (calculated on an Actual/365 day count basis).

**"fully loaded"** means, in relation to a measure that is presented or described as being on a fully loaded basis, that such measure is determined without applying the transitional provisions set out in Part Ten of the CRD IV Regulation.

**"fully loaded CET1 Ratio"** means, at any time, the ratio of CET1 Capital at such time to the Risk Weighted Assets at such time, expressed as a percentage and on the basis that all measures used in such calculation shall be determined on a fully loaded basis.

**"Governmental Entity"** means (i) the United Kingdom Government, (ii) an agency of the United Kingdom Government or (iii) a person or entity (other than a body corporate) controlled by the United Kingdom Government or any such agency referred to in (ii). If the Issuer is then organised in another jurisdiction, the references to "United Kingdom Government" shall be read as references to the government of such other jurisdiction.

**"Group"** means Barclays PLC and its consolidated Subsidiaries.

**"Independent Financial Adviser"** means an independent financial institution of international repute appointed by the Issuer at its own expense.

**"Initial Interest Rate"** has the meaning given to such term in Condition 3(b) (*Rate of Interest*).

**"Interest Payment Date"** has the meaning given to such term in Condition 3(c) (*Interest Payment Dates*).

**"Issue Date"** means 11 August 2015.

**"Junior Securities"** means any ordinary shares, securities or other obligations (including any guarantee, credit support or similar undertaking) of the Issuer ranking, or expressed to rank, junior to the Securities in a winding-up or administration of the Issuer.

"LSE" means the London Stock Exchange plc.

"Mid-Market Swap Rate" means the mid market sterling swap rate LIBOR basis having a five-year maturity appearing on Reuters page "ISDAFIX4" (or such other page as may replace such page on Reuters, or such other page as may be nominated by the person providing or sponsoring the information appearing on such page for purposes of displaying comparable rates) at approximately 11:00 a.m. (London time) on the relevant Reset Determination Date, as determined by the Calculation Agent. If such swap rate does not appear on such page (or such other page or service), the Mid-Market Swap Rate shall instead be determined by the Calculation Agent on the basis of Five-year Mid-Market Swap Rate Quotations provided by the principal office of each of four major banks in the sterling swap rate market (which banks shall be selected by the Issuer (using all reasonable efforts) no less than 20 calendar days prior to the relevant Reset Determination Date) (the "Reference Banks") at approximately 11.00 a.m. (London time) (or thereafter on such date, with the Calculation Agent using all reasonable efforts) on the relevant Reset Determination Date. If at least three Five-year Mid-Market Swap Rate Quotations are provided, the Mid-Market Swap Rate will be the arithmetic mean expressed as a percentage and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards) of such Five-year Mid-Market Swap Rate Quotations, 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). If only two Five-year Mid-Market Swap Rate Quotations are provided, the Mid-Market Swap Rate will be the arithmetic mean expressed as a percentage and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards) of such Five-year Mid-Market Swap Rate Quotations. If only one Five-year Mid-Market Swap Rate Quotation is provided, the Mid-Market Swap Rate will be the quotation provided. If no Five-year Mid-Market Swap Rate Quotations are provided, the Mid-Market Swap Rate will be (i) in respect of the Mid-Market Swap Rate determined in respect of the Reset Date falling on 15 September 2022, 1.854 per cent. per annum or (ii) in respect of the Mid-Market Swap Rate determined in respect of any Reset Date other than 15 September 2022, the Mid-Market Swap Rate in respect of the immediately preceding Reset Date.

The "New Conversion Condition" shall be satisfied if (a) by not later than seven business days following the completion of a Takeover Event where the Acquirer is an Approved Entity, there shall be arrangements in place for the Approved Entity to provide for issuance of Approved Entity Shares following an Automatic Conversion of the Securities on terms *mutatis mutandis* identical to Condition 8(a) (*Automatic Conversion - Upon Capital Adequacy Trigger Event*) and (b) the Issuer, in its sole and absolute discretion has determined that such arrangements are in the best interest of the Issuer and its shareholders taken as a whole having regard to the interests of its stakeholders (including, but not limited to, the Holders) and are consistent with applicable law and regulation (including, but not limited to, the guidance of any applicable regulatory body).

"New Conversion Price" means the amount determined in accordance with the following formula, which shall apply from the QTE Effective Date:

$$\text{NCP} = \text{ECP} * (\text{VWAPAES} / \text{VWAPOS})$$

where:

"NCP" is the New Conversion Price.

"ECP" is the Conversion Price in effect on the dealing day immediately prior to the QTE Effective Date.

"VWAPAES" means the average of the Volume Weighted Average Price of the Approved Entity Shares (translated, if necessary, into sterling at the Prevailing Rate on the relevant dealing day) on each of the five dealing days ending on the dealing day prior to the closing date of the Takeover Event (and where



references in the definition of "Volume Weighted Average Price" to "ordinary share" shall be construed as a reference to the Approved Entity Shares and in the definition of "dealing day," references to the "Relevant Stock Exchange" shall be to the relevant Recognised Stock Exchange).

"**VWAPOS**" is the average of the Volume Weighted Average Price of the ordinary shares (translated, if necessary, into sterling at the Prevailing Rate on the relevant dealing day) on each of the five dealing days ending on the dealing day immediately prior to the closing date of the Takeover Event.

"**Notice Cut-off Date**" means the date specified as such in the Conversion Shares Settlement Request Notice, which date shall be at least 40 business days following the Suspension Date.

"**ordinary shares**" means (a) prior to the QTE Effective Date, fully paid ordinary shares in the capital of the Issuer currently with a nominal value of 25 pence each and (b) on and after the QTE Effective Date, the relevant Approved Entity Shares.

"**Parity Securities**" means any preference shares, securities or other obligations (including any guarantee, credit support or similar undertaking) of the Issuer ranking, or expressed to rank, *pari passu* with the Securities in a winding-up or administration of the Issuer.

"**Payment Business Day**", means any day on which banks are open for general business (including dealings in foreign currencies) in London and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed).

a "**person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) or other legal entity.

"**PRA**" means the United Kingdom Prudential Regulation Authority or such other governmental authority in the United Kingdom (or if the Issuer becomes domiciled in a jurisdiction other than the United Kingdom, such other jurisdiction) having primary responsibility for the prudential supervision of the Issuer.

"**Prevailing Rate**" means, in respect of any currencies on any day, the spot rate of exchange between the relevant currencies prevailing as at or about 12:00 pm, London time, on that date as appearing on or derived from the relevant page on Bloomberg (or such other information service provider that displays the relevant information) or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12:00 pm, London time, on the immediately preceding day on which such rate can be so determined or, if such rate cannot be so determined by reference to the relevant page on Bloomberg (or such other information service provider that displays the relevant information), the rate determined in such other manner as an Independent Financial Adviser shall in good faith prescribe.

"**QTE Effective Date**" means the date with effect from which the New Conversion Condition shall have been satisfied.

"**Qualifying Takeover Event**" means a Takeover Event where: (i) the Acquirer is an Approved Entity; and (ii) the New Conversion Condition is satisfied.

"**Rate of Interest**" shall mean the Initial Interest Rate and/or the relevant Subsequent Interest Rate, as the case may be.

"**Recognised Stock Exchange**" means an EEA Regulated Market or another regulated, regularly operating, recognised stock exchange or securities market in an OECD member state.

"**Regular Date**" means 15 March, 15 June, 15 September or 15 December in any year.

**"Regular Period"** means each period from (and including) any Regular Date to (but excluding) the next Regular Date.

**"Relevant Date"** means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in London by the Principal Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders.

**"Relevant Currency"** means sterling or, if at the relevant time or for the purposes of the relevant calculation or determination the LSE is not the Relevant Stock Exchange, the currency in which the ordinary shares are quoted or dealt in on the Relevant Stock Exchange at such time.

**"Relevant Stock Exchange"** means the LSE or, if at the relevant time the ordinary shares are not at that time listed and admitted to trading on the LSE, the principal stock exchange or securities market on which the ordinary shares are then listed, admitted to trading or quoted or accepted for dealing.

**"Reset Date"** means 15 September 2022 and each fifth anniversary date thereafter, commencing 15 September 2027.

**"Reset Determination Date"** means the second Payment Business Day immediately preceding each Reset Date.

**"Risk Weighted Assets"** means, at any time, the aggregate amount, expressed in pounds sterling, of the risk weighted assets of the Group, at such time, as determined by the Issuer, on a consolidated basis in accordance with the Capital Regulations applicable to the Group at such time (which determination shall be binding on the Holders). For the purposes of this definition, the term "risk weighted assets" means the risk weighted assets or total risk exposure amount, as determined by the Issuer, in accordance with the Capital Regulations applicable to the Group.

**"Settlement Date"** means (i) with respect to any Security in relation to which a Conversion Shares Settlement Notice is received by the Conversion Shares Depository on or before the Notice Cut-off Date, the later of (a) the date that is two business days after the end of the relevant Conversion Shares Offer Period and (b) the date that is two business days after the date on which such Conversion Shares Settlement Notice has been received by the Conversion Shares Depository and (ii) with respect to any Security in relation to which a Conversion Shares Settlement Notice is not received by the Conversion Shares Depository on or before the Notice Cut-off Date, the date on which the Conversion Shares Depository delivers the relevant Conversion Shares or Conversion Share component, if any, of any Conversion Shares Offer Consideration, as applicable.

**"shareholders"** means the holders of ordinary shares.

**"Specified Office"** has the meaning given to it in the Trust Deed.

**"Subsidiary"** has the meaning provided in Section 1159 of the Companies Act.

**"Successor Entity"** has the meaning given to it in Condition 14(d) (*Meetings of Holders; Modification and Waiver; Substitution - Substitution*).

**"Suspension Date"** means, with respect to each Clearing System, the date specified in the Conversion Shares Offer Notice as the date on which such Clearing System shall suspend all clearance and settlement of transactions in the Securities in accordance with its rules and procedures, which date shall be no later than 38 business days after the delivery of the Conversion Shares Offer Notice to such Clearing System (and, if the Issuer elects that a Conversion Shares Offer be made, such date shall be at least two business days prior to the end of the relevant Conversion Shares Offer Period).

"£", "sterling" and "pounds sterling" are to the lawful currency for the time being of the United Kingdom.

"Subsequent Interest Rate" has the meaning given to such term in Condition 3(b) (*Interest - Rate of Interest*).

A "Takeover Event" shall occur if an offer is made to all (or as nearly as may be practicable all) shareholders (or all (or as nearly as may be practicable all) such shareholders other than the offeror and/or any associate (as defined in Section 988(1) of the Companies Act) of the offeror), to acquire all or a majority of the issued ordinary share capital of the Issuer or if any person proposes a scheme with regard to such acquisition and (such offer or scheme having become or been declared unconditional in all respects or having become effective) the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Issuer has or will become unconditionally vested in any person and/or any associate of that person (as defined in Section 988(1) of the Companies Act).

"Takeover Event Notice" means the notice to the Holders in accordance with Condition 16 (*Notices*) notifying them that a Takeover Event has occurred and specifying: (1) the identity of the Acquirer; (2) whether the Takeover Event is a Qualifying Takeover Event or not; (3) in the case of a Qualifying Takeover Event, if determined at such time, the New Conversion Price; and (4) if applicable, the QTE Effective Date.

"Tier 1 Capital" means Tier 1 capital for the purposes of the Capital Regulations.

"Volume Weighted Average Price" means, in respect of an ordinary share (or an Approved Entity Share, as applicable) on any dealing day, the order book volume-weighted average price of an ordinary share (or Approved Entity Share, as applicable) published by or derived from the relevant Bloomberg page or such other source as shall be determined in good faith to be appropriate by an Independent Financial Adviser on such dealing day, provided that if on any such dealing day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an ordinary share (or an Approved Entity Share, as applicable) in respect of such dealing day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined or determined as an Independent Financial Adviser might otherwise determine in good faith to be appropriate.

(b) *Construction of certain references*

In these Conditions, unless otherwise specified or unless the context otherwise requires:

- (i) references to Securities being "outstanding" shall be construed in accordance with the Trust Deed;
- (ii) references to any issue or offer or grant to shareholders "as a class" or "by way of rights" shall be taken to be references to an issue or offer or grant to all or substantially all shareholders, as the case may be, other than shareholders, as the case may be, to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant;
- (iii) references to "ordinary share capital" has the meaning provided in Section 1119 of the Corporation Tax Act 2010 and "equity share capital" has the meaning provided in Section 548 of the Companies Act;
- (iv) references to the "issue" of Conversion Shares shall include the transfer and/or delivery of Conversion Shares by the Issuer or any of its Subsidiaries, whether newly issued and allotted or previously existing;

- (v) ordinary shares held by the Issuer or any of its Subsidiaries shall not be considered as or treated as "in issue";
- (vi) references to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment; and
- (vii) headings and sub-headings are for ease of reference only and shall not affect the construction of these Conditions.

## DESCRIPTION OF ORDINARY SHARES

The Issuer only has ordinary shares in issue which are governed by the laws of England and Wales. The shareholders of the Issuer passed an ordinary resolution on 23 April 2015 to increase its share capital by the creation of new shares of up to £825,000,000 in relation to any issue of securities that automatically convert into or are exchanged for ordinary shares of the Issuer, which authorisation expires the earlier of the end of the Issuer's Annual General Meeting to be held in 2016 and the close of business on 30 June 2016 (whichever is earlier), unless otherwise renewed or passed pursuant to a separate resolution. The Issuer's Articles of Association (the "**Articles**") contain provisions to the following effect:

### **Dividends**

Subject to the provisions of the Articles and applicable legislation, the Issuer at any general meeting may declare dividends on the ordinary shares by ordinary resolution, but such dividends may not exceed the amount recommended by the Board. The Board may also pay interim or final dividends if it appears they are justified by the Issuer's financial position.

All unclaimed dividends payable in respect of any share may be invested or otherwise made use of by the Board for the benefit of the Issuer until claimed. If a dividend is not claimed after 12 years of it becoming payable, it is forfeited and reverts to the Issuer.

The Issuer operates a Scrip Dividend Programme which enables eligible shareholders to elect to receive new ordinary shares issued by the Issuer instead of a cash dividend.

### **Voting**

Every member who is present in person or by proxy or represented at any general meeting of the Issuer, and who is entitled to vote, has one vote on a show of hands. Every proxy present has one vote, except that the proxy will have one vote for and one vote against a resolution if he/she has been instructed to vote for and against the resolution by different members or in one direction by a member while another member has permitted the proxy discretion as to how to vote. On a poll, every member who is present or represented and who is entitled to vote has one vote for every share held. In the case of joint holders, only the vote of the senior holder (as determined by order in the share register) or his proxy may be counted. If any sum payable remains unpaid in relation to a member's shareholding, that member is not entitled to vote that share or exercise any other right in relation to a meeting of the Issuer unless the Board otherwise determines.

If any member, or any other person appearing to be interested in any of the Issuer's ordinary shares, is served with a notice under Section 793 of the Companies Act 2006 and does not supply the Issuer with the information required in the notice, then the Board, in its absolute discretion, may direct that that member shall not be entitled to attend or vote at any meeting of the Issuer. The Board may further direct that if the shares of the defaulting member represent 0.25 per cent. or more of the issued shares of the relevant class, that dividends or other monies payable on those shares shall be retained by the Issuer until the direction ceases to have effect and that no transfer of those shares shall be registered (other than certain specified "excepted transfers"). A direction ceases to have effect seven days after the Issuer has received the information requested, or when the Issuer is notified that an "excepted transfer" of all of the relevant shares to a third party has occurred, or as the Board otherwise determines.

### **Transfers**

Ordinary shares may be held in either certificated or uncertificated form. Certificated ordinary shares shall be transferred in writing in any usual or other form approved by the Board and executed by or on behalf of the transferor. Transfers of uncertificated ordinary shares shall be made in accordance with the Companies Act 2006 and Uncertificated Securities Regulations 2001, as amended.

In exceptional circumstances approved by the U.K. Listing Authority, the Board may refuse to register a transfer of certificated shares provided that such refusal would not disturb the market in those shares. The Board may also decline to register an instrument of transfer of certificated ordinary shares unless it is duly stamped and deposited at the prescribed place and accompanied by the share certificate(s) and such other evidence as reasonably required by the Board to evidence right to transfer, it is in respect of one class of shares only, and it is in favour of a single transferee or not more than four transferees (except in the case of executors or trustees of a member).

## **Redemption and Purchase**

Subject to applicable legislation and the rights of the other shareholders, any share may be issued on terms that it is, at the Issuer's option or at the option of the holder of such share, redeemable. The directors are authorised to determine the terms, conditions and manner of redemption of any such shares under the Articles.

## **Calls on capital**

The Board may make calls upon the members in respect of any monies unpaid on their shares. A person upon whom a call is made remains liable even if the shares in respect of which the call is made have been transferred. Interest will be chargeable on any unpaid amount called at a rate determined by the Board (of not more than 20 per cent. per annum).

If a member fails to pay any call in full (following notice from the Board that such failure will result in forfeiture of the relevant shares), such shares (including any dividends declared but not paid) may be forfeited by a resolution of the Board, and will become the property of the Issuer. Forfeiture shall not absolve a previous member for amounts payable by him/her (which may continue to accrue interest).

The Issuer also has a lien over all of the Issuer's partly paid shares for all monies payable or called on that share and over the debts and liabilities of a member to the Issuer. If any monies which are the subject of the lien remain unpaid after a notice from the Board demanding payment, the Issuer may sell such shares.

## **Variation of Rights**

The rights attached to any class of shares may be varied either with the consent in writing of the holders of at least 75 per cent. in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

The rights of shares shall not (unless expressly provided by the rights attached to such shares) be deemed varied by the creation of further shares ranking equally with them.

## **Winding Up**

In the winding up of the Issuer (whether the liquidation is voluntary or by the court) the liquidator may, on obtaining any sanction required by law, divide among the members in kind the whole or any part of the assets of the Issuer, whether or not the assets consist of property of one kind or of different kinds, and vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he, with the like sanction, shall determine. For this purpose the liquidator may set the value he deems fair on a class or classes of property, and may determine on the basis of that valuation and in accordance with the then existing rights of members how the division is to be carried out between members or classes of members. The liquidator may not, however, distribute to a member without his consent an asset to which there is attached a liability or potential liability for the owner.

## FORM OF THE SECURITIES

The Securities will be issued in registered form and will be represented by a global certificate (the "**Global Certificate**"). The Global Certificate will be deposited on or around the issue date with a common depository for Euroclear and/or Clearstream, Luxembourg and registered in the name of such depository (or its nominee) and will be exchangeable in whole, but not in part, for individual certificates ("**Individual Certificates**") if Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business.

Whenever the Global Certificate is to be exchanged for Individual Certificates, such Individual Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Certificate, by or on behalf of the Holder, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such Individual Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Securities scheduled thereto and, in particular, shall be effected without charge to any Holder or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

In addition, the Global Certificates will contain provisions that modify the Terms and Conditions of the Securities as they apply to the Securities evidenced by the Global Certificate. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Certificate which, according to the Conditions, require surrender or endorsement of a Certificate will be made against surrender of the Global Certificate (or in the case of part payment only, endorsement) to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Securities.

*Payments on business days:* In the case of all payments made in respect of the Global Certificate "**Payment Business Day**" means any day on which banks are open for general business (including dealings in foreign currencies) in London.

*Payment Record Date:* Each payment in respect of the Global Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Certificate is being held is open for business.

*Notices:* Notwithstanding Condition 16 (*Notices*) and Condition 8(b) (*Automatic Conversion – Automatic Conversion Procedure*), so long as the Securities are represented by the Global Certificate deposited with a depository or a common depository for Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**"), notices to Holders represented by such Global Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System and, in any case, such notices shall be deemed to have been given to Holders in accordance with Condition 16 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or such Alternative Clearing System.

*Conversion Shares Settlement Notice:* Notwithstanding Condition 8(e)(vii) (*Automatic Conversion – Settlement Procedure - Conversion Shares Settlement Notice*), so long as the Securities are represented by the Global Certificate deposited with a depository or a common depository for Euroclear, Clearstream, Luxembourg or an Alternative Clearing System, a Conversion Shares Settlement Notice may be given by a Holder by delivering it to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System and, in any case, such notices shall be deemed to have been delivered to the Conversion Shares Depository on the date of delivery of such notice to the Conversion Shares Depository by Euroclear and/or Clearstream, Luxembourg and/or such Alternative Clearing System and or its depository or common depository.

*Cash component:* Notwithstanding Condition 8(e)(iii) (*Cash component*), so long as the Securities are represented by the Global Certificate deposited with a depository or a common depository for the Clearing Systems, the cash component, if any, of any Conversion Shares Offer Consideration will be delivered through the facilities of the Clearing Systems on or around the date on which the Conversion Shares Offer Period ends, subject to the applicable rules and operating procedures of the Clearing Systems in effect at such time.

### **Clearing System Accountholders**

Each Global Certificate will be in registered form. Consequently, references in the Terms and Conditions of the Securities to "Holder" are references to the person in whose name the Securities are being registered in the Register which, for so long as the Global Certificate is held by a common depository for Euroclear and/or Clearstream, Luxembourg, will be that common depository or its nominee.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in the Global Certificate (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the Holder of the Global Certificate and in relation to all other rights arising under the Global Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Certificate will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Securities are represented by the Global Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Securities and such obligations of the Issuer will be discharged by payment to the Holder of the Global Certificate.



## **USE OF PROCEEDS**

The net proceeds of the issue of the Securities, expected to amount to £989,900,000 after deduction of the commissions and fees payable to the Managers, will be used for general corporate purposes of the Group and to strengthen further the regulatory capital base of the Issuer and/or the Group, which may include investments in, or capital contributions to, Group subsidiaries. It is the Issuer's intention to use the proceeds of the issue of the Securities to initially make an investment in the Bank in the form of subordinated debt intended to qualify as additional tier 1 capital of the Bank under CRD IV. The Issuer retains the discretion to restructure any investment made with the proceeds at any time.

## DESCRIPTION OF THE ISSUER AND THE GROUP

The Issuer is a public limited company registered in England and Wales under number 48839. The liability of the members of the Issuer is limited. It has its registered head office at 1 Churchill Place, London E14 5HP, United Kingdom, (telephone number +44 (0)20 7116 1000). Tracing its origins to 17th century London, the Issuer has evolved from a group of English partnerships into a global bank. The Issuer was incorporated on 20 July 1896 under the Companies Acts 1862 to 1890.

The Bank is a public limited company registered in England and Wales under number 1026167. The liability of the members of the Bank is limited. It has its registered and head office at 1 Churchill Place, London, E14 5HP, United Kingdom (telephone number +44 (0)20 7116 1000). The Bank was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Acts 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, the Bank was re-registered as a public limited company and its name was changed from "Barclays Bank International Limited" to "Barclays Bank PLC". The whole of the issued ordinary share capital of the Bank is beneficially owned by the Issuer. The Issuer is the ultimate holding company of the Group and is one of the largest financial services companies in the world by market capitalisation.

The Group is engaged in personal banking, credit cards, corporate and investment banking, wealth and investment management services with an extensive international presence in Europe, United States, Africa and Asia. The Group is structured around four core businesses: Personal and Corporate Banking, Barclaycard, Africa Banking and the Investment Bank. Businesses and assets which no longer fit the Group's strategic objectives, are not expected to meet certain returns criteria and/or offer limited growth opportunities to the Group, have been reorganised into Barclays Non-Core. Together with its predecessor companies, the Group has over 300 years of history and expertise in banking. Today the Group operates in over 50 countries. The Group moves, lends, invests and protects money for customers and clients internationally.

The short term unsecured obligations of the Issuer are rated A-2 by Standard & Poor's, P-3 by Moody's and F1 by Fitch, and the unsecured unsubordinated long-term obligations of the Issuer are rated BBB by Standard & Poor's, Baa3 by Moody's and A by Fitch.

The short term unsecured obligations of the Bank are rated A-2 by Standard & Poor's, P-1 by Moody's and F1 by Fitch, and the unsecured unsubordinated long-term obligations of the Bank are rated A- by Standard & Poor's, A2 by Moody's and A by Fitch.

Based on the Group's audited financial information for the year ended 31 December 2014<sup>1</sup>, the Group had total assets of £1,357,906 million (2013: £1,343,628 million), total net loans and advances<sup>2</sup> of £469,878 million (2013: £473,659 million), total deposits<sup>3</sup> of £486,094 million (2013: £487,613 million), and total shareholders' equity of £65,958 million (2013: £63,949 million) (including non-controlling interests of £6,391 million (2013: £8,564 million)). The profit before tax from continuing operations of the Group for the year ended 31 December 2014 was £2,256 million (2013: £2,868 million) after credit impairment charges and other provisions of £2,168 million (2013: £3,071 million). The financial information in this paragraph is extracted from the audited consolidated financial statements of the Issuer for the year ended 31 December 2014.

Based on the Group's unaudited condensed consolidated financial information for the six months ended 30 June 2015, the Group had total assets of £1,196,719 million (30 June 2014: £1,314,899 million), total net loans and advances<sup>4</sup> of £475,267 million (30 June 2014: £485,997 million), total deposits<sup>5</sup> of £494,248 million (30 June 2014: £505,805 million), and total shareholders' equity of £65,575 million (30 June 2014: £65,025 million) (including non-controlling interests of £6,294 million (30 June 2014: £6,957 million)). Profit before tax for the Group for the six months ended 30 June 2015 was £3,114 million (30 June 2014: £2,501 million) including credit impairment and other provision charges of £973 million (30

<sup>1</sup> As noted in the financial statements of the Issuer for the year ended 31 December 2014, the prior year (2013) has been restated to reflect the IAS 32 (revised) standard.

<sup>2</sup> Total net loans and advances include balances relating to both bank and customer accounts.

<sup>3</sup> Total deposits include deposits from bank and customer accounts.

June 2014: £1,086 million). The financial information in this paragraph is extracted from the unaudited consolidated financial statements of the Issuer for the six months ended 30 June 2015 and 30 June 2014.

## **Acquisitions, Disposals and Recent Developments**

### ***Sale of Spanish Businesses to CaixaBank***

On 2 January 2015, the Bank completed the sale of its Retail Banking, Wealth and Investment Management and Corporate Banking businesses in Spain to CaixaBank S.A.

The sale represented total assets of £13,446 million and liabilities of £12,840 million as at 31 December 2014. The Bank reported a £446 million loss as at 31 December 2014 in connection with the sale.

## **Legal Proceedings**

The Issuer, the Bank and the Group face legal, competition and regulatory challenges, many of which are beyond the Group's control. The extent of the impact on the Issuer, the Bank and the Group of these matters cannot always be predicted but may materially impact the Group's operations, financial results, condition and prospects. Matters arising from a set of similar circumstances can give rise to either a contingent liability or a provision, or both, depending on the relevant facts and circumstances. The Group has not disclosed an estimate of the potential financial effect on the Group of contingent liabilities where it is not currently practicable to do so.

### ***Investigations into certain agreements***

The FCA has alleged that the Issuer and the Bank breached their disclosure obligations in connection with two advisory services agreements entered into by the Bank. The FCA has imposed a £50 million fine. The Issuer and the Bank are contesting the findings. The U.K. Serious Fraud Office (the "**SFO**") is also investigating these agreements. The U.S. Department of Justice (the "**DOJ**") and the SEC are investigating whether the Group's relationships with third parties who help it to win or retain business are compliant with the U.S. Foreign Corrupt Practices Act.

### ***Background Information***

The FCA has investigated certain agreements, including two advisory services agreements entered into by the Bank with Qatar Holding LLC ("**Qatar Holding**") in June and October 2008 respectively, and whether these may have related to the Issuer's capital raisings in June and November 2008.

The FCA issued warning notices ("**Warning Notices**") against the Issuer and the Bank in September 2013.

The existence of the advisory services agreement entered into in June 2008 was disclosed but the entry into the advisory services agreement in October 2008 and the fees payable under both agreements, which amount to a total of £322 million payable over a period of five years, were not disclosed in the announcements or public documents relating to the capital raisings in June and November 2008. While the Warning Notices consider that the Issuer and the Bank believed at the time that there should be at least some unspecified and undetermined value to be derived from the agreements, they state that the primary purpose of the agreements was not to obtain advisory services but to make additional payments, which would not be disclosed, for the Qatari participation in the capital raisings.

The Warning Notices conclude that the Issuer and the Bank were in breach of certain disclosure-related listing rules and the Issuer was also in breach of Listing Principle 3 (the requirement to act with integrity towards holders and potential holders of the Issuer's shares). In this regard, the FCA considers that the Issuer and the Bank acted recklessly. The financial penalty in the Warning Notices against the Group is £50 million. The Issuer and the Bank continue to contest the findings.

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<sup>4</sup> Total net loans and advances include balances relating to both bank and customer accounts.

<sup>5</sup> Total deposits include deposits from bank and customer accounts.

### *Other Investigations and Litigation*

The FCA has agreed that the FCA enforcement process be temporarily stayed pending progress in the SFO's investigation into the agreements referred to above, including the advisory services agreements, in respect of which the Group has received and has continued to respond to requests for further information. The DOJ and SEC are investigating these same agreements and are also undertaking an investigation into whether the Group's relationships with third parties who assist the Issuer to win or retain business are compliant with the U.S. Foreign Corrupt Practices Act. Certain regulators in other jurisdictions have also been briefed on the investigations into certain of the Group's relationships with third parties. It is possible that civil litigation relating to certain of these matters may be brought in the future against the Issuer and/or its affiliates.

### *Claimed Amounts/Financial Impact*

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

### **Alternative Trading Systems and High-Frequency Trading**

The SEC, the New York State Attorney General (the "NYAG"), the FCA and regulators in certain other jurisdictions have been investigating a range of issues associated with alternative trading systems ("ATSS"), including dark pools, and the activities of high-frequency traders. Barclays Capital Inc. ("BCI") has been providing information to the relevant regulatory authorities in response to their enquiries. Various parties, including the NYAG, have filed complaints against the Issuer and BCI and certain of the Group's current and former officers in connection with ATS related activities. The Issuer and BCI continue to defend against these actions.

### *Background Information*

Civil complaints have been filed in the New York Federal Court on behalf of a putative class of plaintiffs against the Issuer and BCI and others generally alleging that the defendants violated the federal securities laws by participating in a scheme in which high-frequency trading firms were given informational and other advantages so that they could manipulate the U.S. securities market to the plaintiffs' detriment. These complaints have been consolidated and the Issuer has filed a motion to dismiss this action.

In June 2014, the NYAG filed a complaint (the "**NYAG Complaint**") against the Issuer and BCI in the Supreme Court of the State of New York (the "**NY Supreme Court**") alleging, amongst other things, that the Issuer and BCI engaged in fraud and deceptive practices in connection with LX Liquidity Cross, the Group's SEC-registered ATS. The Issuer and BCI filed a motion to dismiss the Complaint in July 2014.

The Issuer and BCI have also been named in a class action by an institutional investor client under California law based on allegations similar to those in the Complaint. This California class action has been consolidated with the class action filed in the New York Federal Court described above.

Also, following the filing of the NYAG Complaint, the Issuer and BCI were named in a shareholder securities class action along with its current and certain of its former CEOs and CFOs and an employee in Equities Electronic Trading on the basis that investors suffered damages when their investments in Barclays American Depositary Receipts declined in value as a result of the allegations in the NYAG Complaint. The Issuer and BCI have filed a motion to dismiss the complaint, which the court granted in part and denied in part.

It is possible that additional complaints relating to these or similar matters may be brought in the future against the Issuer and/or its affiliates.

### *Recent Developments*

In February 2015, the NYAG filed an amended complaint and the NY Supreme Court subsequently granted in part and denied in part the Issuer and BCI's motion to dismiss the NYAG Complaint. Proceedings in this matter are continuing.

### *Claimed Amounts/Financial Impact*

The complaints seek unspecified monetary damages and injunctive relief. It is not currently practicable to provide an estimate of the financial impact of the matters in this section or what effect that these matters might have upon operating results, cash flows or the Group's financial position in any particular period.

### **FERC**

The U.S. Federal Energy Regulatory Commission (the "**FERC**") has filed a civil action against the Bank and certain of its former traders in the U.S. District Court in California seeking to collect on an order assessing a \$435 million civil penalty and the disgorgement of \$34.9 million of profits, plus interest, in connection with allegations that the Bank manipulated the electricity markets in and around California. The U.S. Attorney's Office in the Southern District of New York (the "**SDNY**") has informed the Bank that it is looking into the same conduct at issue in the FERC matter and a civil class action complaint was filed in the U.S. District Court for the SDNY against the Bank asserting antitrust allegations that mirror those raised in the civil suit filed by FERC.

### *Background Information*

In October 2012, the FERC issued an Order to Show Cause and Notice of Proposed Penalties (the "**Order and Notice**") against the Bank and four of its former traders in relation to their power trading in the western U.S. In the Order and Notice, the FERC asserted that the Bank and its former traders violated the FERC's Anti-Manipulation Rule by manipulating the electricity markets in and around California from November 2006 to December 2008, and proposed civil penalties and profit disgorgement to be paid by the Bank.

In July 2013, the FERC issued an Order Assessing Civil Penalties in which it assessed a \$435 million civil penalty against the Bank and ordered the Bank to disgorge an additional \$34.9 million of profits plus interest (both of which are consistent with the amounts proposed in the Order and Notice).

In October 2013, the FERC filed a civil action against the Bank and its former traders in the U.S. District Court in California seeking to collect the penalty and disgorgement amount. The FERC's complaint in the civil action reiterates the allegations previously made by the FERC in its October 2012 Order and Notice and its July 2013 Order Assessing Civil Penalties.

In September 2013, the Bank was contacted by the criminal division of the U.S. Attorney's Office in the SDNY and advised that such office is looking at the same conduct at issue in the FERC matter.

In December 2013, the Bank and its former traders filed a motion to dismiss the action for improper venue or, in the alternative, to transfer it to the SDNY, and a motion to dismiss the complaint for failure to state a claim.

### *Recent Developments*

In May 2015, the U.S. District Court in California denied a motion filed by the Bank and the former traders to dismiss the action for improper venue or, in the alternative, to transfer it to the SDNY, and a motion to dismiss the complaint for failure to state a claim.

In June 2015, a civil class action complaint was filed in the U.S. District Court for the SDNY against the Bank by Merced Irrigation District, a California utility company, asserting antitrust allegations in connection with the Bank's purported manipulation of the electricity markets in and around California. The allegations mirror those raised in the civil suit filed by FERC against the Bank currently pending in the U.S. District Court in California.

### *Claimed Amounts/Financial Impact*

The FERC has made claims against the Bank and certain of its former traders totalling \$469.9 million, plus interest, for civil penalties and profit disgorgement. This amount does not necessarily reflect the Bank's potential financial exposure if a ruling were to be made against it. The civil class action complaint refers to damages of \$139.3 million.

## **Investigations into LIBOR, other Benchmarks, ISDAFIX, Foreign Exchange Rates and Precious Metals**

Regulators and law enforcement agencies from a number of governments have been conducting investigations relating to the Bank's involvement in manipulating Foreign Exchange rates and financial benchmarks. The Bank, the Issuer and BCI have reached settlements with the relevant law enforcement agency or regulator in certain of the investigations, but others, including those set out in more detail below, remain pending.

### *Background Information*

The FCA, the U.S. Commodity Futures Trading Commission (the "**CFTC**"), the SEC, the DOJ Fraud Section (the "**DOJ-FS**") and Antitrust Division (the "**DOJ-AD**"), the European Commission (the "**Commission**"), the SFO, the Monetary Authority of Singapore, the Japan Financial Services Agency, the Administrative Council for Economic Defence in Brazil, the South African Competition Commission, the prosecutors' office in Trani, Italy and various U.S. state attorneys general are amongst various authorities that opened investigations in connection with efforts to manipulate Foreign Exchange rates and into submissions made by the Bank and other financial institutions to the bodies that set or compile various financial benchmarks, such as LIBOR and EURIBOR.

In June 2012, the Bank announced that it had reached settlements with the Financial Services Authority (the "**FSA**") (as predecessor to the FCA), the CFTC and the DOJ-FS in relation to their investigations concerning certain benchmark interest rate submissions, and the Bank agreed to pay total penalties of £290 million, which were reflected in operating expenses for 2012. The settlements were made by entry into a Settlement Agreement with the FSA, a Settlement Order with the CFTC (the "**CFTC LIBOR Order**") and a Non-Prosecution Agreement (the "**NPA**") with the DOJ-FS. In addition, the Bank was granted conditional leniency from the DOJ-AD in connection with potential U.S. antitrust law violations with respect to financial instruments that reference EURIBOR. Summaries of the NPA and the CFTC LIBOR Order are set out below. The full text of the CFTC LIBOR Order and the NPA are publicly available on the websites of the CFTC and the DOJ, respectively. The terms of the Settlement Agreement with the FSA are confidential, but the Final Notice of the FSA in relation to LIBOR is available on the FCA's website.

### *CFTC LIBOR Order*

In addition to a \$200 million civil monetary penalty, the CFTC LIBOR Order requires the Bank to cease and desist from further violations of specified provisions of the U.S. Commodity Exchange Act (the "**CEA**") and take specified steps to ensure the integrity and reliability of its benchmark interest rate submissions, including LIBOR and EURIBOR, and improve related internal controls.

### *Investigations by the U.S. State Attorneys General*

Following the settlements announced in June 2012, 31 U.S. State Attorneys General commenced their own investigations into LIBOR, EURIBOR and the Tokyo Interbank Offered Rate. The NYAG, on behalf of this coalition of Attorneys General, issued a subpoena in July 2012 to the Bank (and subpoenas to a number of other banks) to produce wide-ranging information and has since issued additional information requests to the Bank for both documents and transactional data. The Bank is responding to these requests on a rolling basis.

### *Investigation by the SFO*

In addition, following the settlements announced in June 2012, the SFO announced in July 2012 that it had decided to investigate the LIBOR matter, in respect of which the Bank has received and continues to respond to requests for information.

### *Investigations by the European Commission*

The Commission has also been conducting investigations into the manipulation of, amongst other things, EURIBOR. On 4 December 2013, the Commission announced that it had reached a settlement with the Group and a number of other banks in relation to anti-competitive conduct concerning EURIBOR. The Group had voluntarily reported the EURIBOR conduct to the Commission and cooperated fully with the

Commission's investigation. In recognition of this cooperation, the Group was granted full immunity from the financial penalties that would otherwise have applied.

#### *DOJ Non-Prosecution Agreement*

As part of the NPA, the Bank agreed to pay a \$160 million penalty. In addition, the DOJ agreed not to prosecute the Bank for any crimes (except for criminal tax violations, as to which the DOJ cannot and did not make any agreement) related to the Bank's submissions of benchmark interest rates, including LIBOR and EURIBOR, contingent upon the Bank's satisfaction of specified obligations under the NPA.

In June 2014, the Bank and DOJ-FS entered into a letter agreement which gave DOJ-FS until 27 June 2015 to make a determination under the NPA solely as to whether any of the Bank's trading activities in the Foreign Exchange market during the two-year period from 26 June 2012 constituted the commission of a "United States crime".

#### *Recent Developments*

The Foreign Exchange settlements described below under "*Foreign Exchange Trading Investigations*" include a \$60 million penalty imposed by the DOJ as a consequence of certain practices that continued after entry into the NPA; however, the DOJ exercised its discretion not to declare a breach of the NPA. The NPA and the letter agreement have now expired.

#### *Foreign Exchange Trading Investigations*

Various regulatory and enforcement authorities, including the FCA, the Commission, the CFTC, the DOJ-FS, the DOJ-AD, the SEC and the New York State Department of Financial Services (the "**NYDFS**") have been investigating a range of issues associated with Foreign Exchange sales and trading, including electronic trading. Certain of these investigations involve multiple market participants in various countries.

#### *Recent Developments*

On 20 May 2015, the Group announced that it had reached settlements with the CFTC, the NYDFS, the DOJ, the Board of Governors of the Federal Reserve System (the "**Federal Reserve**") and the FCA (together, the "**Resolving Authorities**") in relation to investigations into certain sales and trading practices in the Foreign Exchange market, that it had agreed to pay total penalties of approximately \$2.38 billion, including a \$60 million penalty imposed by the DOJ as a consequence of certain practices continuing after entry into the NPA, and that the Issuer had agreed to plead guilty to a violation of U.S. anti-trust law.

Under the plea agreement with the DOJ, the Issuer agreed to (i) pay a criminal fine of \$650 million and (ii) a term of probation of three years from the date of the final judgment in respect of the plea agreement. During the term of probation, the Issuer must, amongst other things:

- Commit no crime whatsoever in violation of the federal laws of the United States;
- Notify the probation officer appointed by the court upon learning of the commencement of any federal criminal investigation in which it is a target, or federal criminal prosecution against it;
- Implement and continue to implement a compliance program designed to prevent and detect the conduct that gave rise to the plea agreement;
- Strengthen its compliance and internal controls as required by the CFTC, the FCA and any other regulatory or enforcement agencies that have addressed the conduct set forth in the plea agreement; and
- Bring to the DOJ's attention (i) all credible information regarding criminal violations by the Issuer or any of its employees that relates to U.S. anti-trust laws or fraud laws, including securities or commodities markets fraud, as to which the Issuer's Board of Directors, management or legal and compliance personnel is aware (ii) all criminal or regulatory investigations, administrative proceedings or civil actions brought by any governmental authority

in the U.S. by or against the Issuer or its employees that alleges violations of U.S. anti-trust or fraud laws, or including securities or commodities markets fraud.

Pursuant to the settlement with the CFTC, the Bank consented to the entry of an order requiring it to (i) cease and desist from violating provisions of the U.S. Commodity Exchange Act, (ii) pay a civil monetary penalty of \$400 million and (iii) undertake certain remediation efforts to the extent not already undertaken, including:

- Implementing and improving its internal controls and procedures in a manner reasonably designed to ensure the integrity of its participation in the fixing of any Foreign Exchange benchmark rate, including measures to identify and address internal or external conflicts of interest; and
- Implementing additional remediation improvements will include internal controls and procedures relating to, amongst other things: (i) detection and deterrence of improper communications concerning Foreign Exchange benchmark rates and trading or other conduct potentially intended to manipulate Foreign Exchange benchmark rates, (ii) routine and on-going training of all traders, supervisors and others who are involved in the fixing of any Foreign Exchange benchmark rate and (iii) its system for reporting, handling and investigating any suspected misconduct or questionable, unusual or unlawful activity relating to the fixing of any Foreign Exchange benchmark rate.

Pursuant to its settlement with the Federal Reserve, the Bank and the Bank's New York branch consented to an order imposing a civil monetary penalty of \$342 million and ordering the Bank and the Bank's New York branch to submit in writing to the Federal Reserve Bank of New York for its approval (i) an enhanced internal controls and compliance program to comply with applicable U.S. laws and regulations with respect to certain Foreign Exchange activities and certain activities in certain other wholesale markets for commodities and interest rate products, (ii) a plan to improve its compliance risk management program regarding the Bank and the Bank's New York branch's compliance with applicable U.S. laws and regulations with respect to certain Foreign Exchange activities and certain activities in certain other wholesale markets for commodities and interest rate products and (iii) enhanced internal audit program regarding the Bank's and the Bank's New York branch's compliance with applicable U.S. laws and regulations with respect to certain Foreign Exchange activities and certain activities in certain other wholesale markets for commodities and interest rate products. Under the Federal Reserve order, the Bank and its institution-affiliated parties must not in the future directly or indirectly retain any individual as an officer, employee, agent, consultant or contractor of the Bank or of any subsidiary of the Bank who, based on the investigative record compiled by U.S. authorities, has done all of the following: (i) participated in the misconduct underlying the order, (ii) been subject to formal disciplinary action as a result of the Bank's and the Bank's New York branch's internal disciplinary review or performance review in connection with the conduct described in the order, and (iii) either separated from the Bank or any subsidiary thereof or had his or her employment terminated in connection with the conduct described in the order.

Pursuant to the settlement with the NYDFS, the Bank and the Bank's New York branch consented to an order imposing a civil monetary penalty of \$485 million and requiring the Bank and the Bank's New York branch to take all steps necessary to terminate four identified employees. The Bank and the Bank's New York branch must also continue to engage the independent monitor previously selected by the NYDFS to conduct, consistent with applicable law, a comprehensive review of compliance programs, policies, and procedures, with respect to the business activities discussed within the order, in place at the Bank that pertain to or affect activities conducted by or through the Bank's New York branch. The monitor will submit to the NYDFS and the Bank's Board of Directors a preliminary written report of findings, including proposed corrective measures and thereafter the Bank and the Bank's New York branch must submit to the NYDFS (i) a written plan designed to improve and enhance current compliance programs that pertain to or affect activities conducted by or through the Bank's New York branch, incorporating any relevant corrective measures identified in the monitor's report and (ii) a written plan to improve and enhance management oversight of compliance programs, policies, and procedures now in place at the Bank that pertain to or affect activities conducted by or through the Bank's New York branch.

The FCA issued a Final Notice and imposed a financial penalty of £284 million on the Bank for failing to control business practices in its Foreign Exchange business in London (including G10 and emerging market spot Foreign Exchange trading, Foreign Exchange options and Foreign Exchange sales). As



announced in November 2014, the FCA has required an industry-wide remediation programme which Barclays remains committed to completing.

The full text of the DOJ plea agreement, the CFTC, NYDFS and Federal Reserve orders, and the FCA Final Notice referred to above are publicly available on the Resolving Authorities' respective websites.

The settlements reached on 20 May 2015 did not encompass ongoing investigations of electronic trading in the Foreign Exchange market. In addition, certain authorities continue to investigate sales and trading practices of various sales and trading personnel, including Foreign Exchange personnel, among multiple market participants, including the Bank, in various countries. The Group is continuing to review these and certain other practices relating to Foreign Exchange and continues to cooperate with the relevant authorities.

#### *ISDAFIX Investigation*

Regulators and law enforcement agencies, including the CFTC, have conducted separate investigations into historical practices with respect to ISDAFIX, amongst other benchmarks.

On 20 May 2015, the CFTC entered into a settlement order with the Issuer, the Bank and BCI pursuant to which the Issuer, the Bank and BCI agreed to pay a civil monetary penalty of \$115 million in connection with the CFTC's industry-wide investigation into the setting of the U.S. Dollar ISDAFIX benchmark. In addition, the CFTC order requires the Issuer, the Bank and BCI to cease and desist from violating provisions of the U.S. Commodity Exchange Act, fully cooperate with the CFTC in related investigations and litigation and undertake certain remediation efforts to the extent not already undertaken, including, amongst other things:

- Continuing to implement and improve its internal controls and procedures in a manner reasonably designed to ensure the integrity of the fixing of any interest-rate swap benchmark; and
- Implementing additional remediation improvements, including reasonable internal controls and procedures relating to, amongst other things: (i) the detection and deterrence of trading or other conduct potentially intended to manipulate directly or indirectly swap rates, including benchmarks based on interest-rate swaps, routine and on-going training of all swaps and options desk personnel relating to the trading of any product that references a benchmark based on interest-rate swaps and (ii) a system for reporting, handling and investigating any suspected misconduct or questionable, unusual or unlawful activity relating to the fixing of any benchmark based on interest-rate swaps.

The full text of the CFTC order relating to ISDAFIX is publicly available on the CFTC website.

Certain other regulatory and enforcement authorities have requested information regarding the setting of, and trading intended to influence, the U.S. Dollar ISDAFIX benchmark.

#### *Precious Metals Investigation*

The Bank has been providing information to the DOJ and other authorities in connection with investigations into precious metals and precious metals-based financial instruments.

For a discussion of litigation arising in connection with these investigations see "*LIBOR and other Benchmarks Civil Actions*", "*Civil Actions in Respect of ISDAFIX*", "*Civil Actions in Respect of Foreign Exchange Trading*" and "*Civil Actions in Respect of the Gold Fix*" below.

#### *Claimed Amounts/Financial Impact*

The fines in connection with the May 2015 settlements with the Resolving Authorities are covered by the Group's existing provisions of £2.05 billion. It is not currently practicable to provide an estimate of the financial impact of certain of the other matters in this section, or what effect that these matters might have upon the Group's operating results, cash flows or financial position in any particular period.

## **LIBOR and other Benchmark Civil Actions**

Following the settlements of the investigations referred to above in "*Investigations into LIBOR, other Benchmarks, ISDAFIX, Foreign Exchange Rates and Precious Metals*", a number of individuals and corporates in a range of jurisdictions have threatened or brought civil actions against the Group in relation to LIBOR and/or other benchmarks.

### *Background Information*

A number of individuals and corporates in a range of jurisdictions have threatened or brought civil actions against the Group and other banks in relation to manipulation of LIBOR and/or other benchmark rates. While several of such cases have been dismissed and one has settled subject to final approval from the court, others remain pending and their ultimate impact is unclear.

### *USD LIBOR Cases in the MDL Court*

The majority of the USD LIBOR cases, which have been filed in various U.S. jurisdictions, have been consolidated for pre-trial purposes before a single judge in the SDNY (the "**MDL Court**").

The complaints are substantially similar and allege, amongst other things, that the Bank and the other banks individually and collectively violated provisions of the U.S. Sherman Antitrust Act, the CEA, the U.S. Racketeer Influenced and Corrupt Organizations Act (the "**RICO**") and various state laws by manipulating USD LIBOR rates.

The lawsuits seek unspecified damages with the exception of five lawsuits, in which the plaintiffs are seeking a combined total in excess of \$1.25 billion in actual damages against all defendants, including the Bank, plus punitive damages. Some of the lawsuits also seek trebling of damages under the U.S. Sherman Antitrust Act and the RICO.

The proposed class actions purport to be brought on behalf of (amongst others) plaintiffs that (i) engaged in USD LIBOR-linked over-the-counter transactions (the "**OTC Class**"); (ii) purchased USD LIBOR-linked financial instruments on an exchange (the "**Exchange-Based Class**"); (iii) purchased USD LIBOR-linked debt securities (the "**Debt Securities Class**"); (iv) purchased adjustable-rate mortgages linked to USD LIBOR (the "**Homeowner Class**"); or (v) issued loans linked to USD LIBOR (the "**Lender Class**").

In August 2012, the MDL Court stayed all newly filed proposed class actions and individual actions (the "**Stayed Actions**"), so that the MDL Court could address the motions pending in three lead proposed class actions (the "**Lead Class Actions**") and three lead individual actions (the "**Lead Individual Actions**").

In March 2013, the MDL Court issued a decision dismissing the majority of claims against the Bank and other panel bank defendants in the Lead Class Actions and Lead Individual Actions.

Following the decision, the plaintiffs in the Lead Class Actions sought permission to either file an amended complaint or appeal an aspect of the March 2013 decision. In August 2013 and June 2014, the MDL Court denied the majority of the motions presented in the Lead Class Actions. As a result, the:

- Debt Securities Class has been dismissed entirely;
- The claims of the Exchange-Based Class have been limited to claims under the CEA; and
- The claims of the OTC Class have been limited to claims for unjust enrichment and breach of the implied covenant of good faith and fair dealing.

Subsequent to the MDL Court's March 2013 decision, the plaintiffs in the Lead Individual Actions filed a new action in California state court (since moved to the MDL Court) based on the same allegations as those initially alleged in the proposed class action cases discussed above. The Debt Securities Class attempted to appeal the dismissal of their action to the U.S. Court of Appeals for the Second Circuit (the "**Second Circuit**"), but the Second Circuit dismissed the appeal as untimely on the grounds that the MDL Court had not reached a decision resolving all of the claims in the consolidated actions. In January 2015, the U.S. Supreme Court reversed the Second Circuit's decision, ruling that the Second Circuit must hear

the Debt Securities Class' appeal. The OTC Class and the Exchange-Based Class have received permission to join this appeal. Certain other proposed class actions that had previously been stayed by the MDL Court have also received permission to join the appeal as to the dismissal of their antitrust claims.

In December 2014, the MDL Court granted preliminary approval for the settlement of the remaining Exchange-Based Class claims for \$19.98 million and requested that the plaintiffs present a plan for allocation of the settlement proceeds. In January 2015, plaintiffs filed a motion for an order approving their proposed process of allocation and class notice for the settlement, and that motion is pending before the MDL Court.

Additionally, the MDL Court has begun to address the claims in the Stayed Actions, many of which, including state law fraud and tortious interference claims, were not asserted in the Lead Class Actions. As a result, in October 2014, the direct action plaintiffs (those who have opted out of the class actions) filed their amended complaints and in November 2014, the defendants filed their motions to dismiss. In November 2014, the plaintiffs in the Lender Class and Homeowner Class actions filed their amended complaints. In January 2015, the defendants filed their motions to dismiss.

Until there are further decisions, the ultimate impact of the MDL Court's decisions will be unclear, although it is possible that the decisions will be interpreted by courts to affect other litigation, including the actions described below, some of which concern different benchmark interest rates.

#### *Additional USD LIBOR Case in the SDNY*

An additional individual action was commenced in February 2013 in the SDNY against the Bank and other panel bank defendants. The plaintiff alleged that the panel bank defendants conspired to increase USD LIBOR, which caused the value of bonds pledged as collateral for a loan to decrease, ultimately resulting in the sale of the bonds at a low point in the market. This action is not assigned to the MDL Court; it is proceeding on a different schedule before a different judge in the SDNY. The panel bank defendants moved to dismiss the action, and the motion was granted in April 2015. In June 2015, plaintiff sought leave to file a further amended complaint; that motion is pending.

#### *Sterling LIBOR Case in SDNY*

An additional class action was commenced in May 2015 in the SDNY against the Bank and other Sterling LIBOR panel banks by a plaintiff involved in exchange-traded and over-the-counter derivatives that were linked to Sterling LIBOR. The complaint alleges, among other things, that the Bank and other panel banks manipulated the Sterling LIBOR rate between 2005 and 2010 and, in so doing, committed CEA, antitrust, and RICO violations.

#### *Securities Fraud Case in the SDNY*

The Issuer, the Bank and BCI have also been named as defendants along with four former officers and directors of the Bank in a proposed securities class action pending in the SDNY in connection with the Bank's role as a contributor panel bank to LIBOR. The complaint asserted claims under the U.S. Securities Exchange Act of 1934, principally alleging that the Bank's Annual Reports for the years 2006 to 2011 contained misstatements and omissions concerning (amongst other things) the Bank's compliance with its operational risk management processes and certain laws and regulations. The complaint also alleged that the Bank's daily USD LIBOR submissions constituted false statements in violation of U.S. securities law. The complaint was brought on behalf of a proposed class consisting of all persons or entities that purchased the Issuer-sponsored American Depositary Receipts on a U.S. securities exchange between 10 July 2007 and 27 June 2012. In May 2013, the district court granted the Bank's motion to dismiss the complaint in its entirety. The plaintiffs appealed, and, in April 2014, the Second Circuit issued an order upholding the dismissal of certain of the plaintiffs' claims, but reversing the dismissal of the plaintiffs' claims that the Bank's daily USD LIBOR submissions constituted false statements in violation of U.S. securities law. The action has been remanded back to the district court for further proceedings, and discovery is expected to be substantially complete by the end of 2015. In April 2015, plaintiffs filed a motion to certify the class, and that motion is pending.

#### *Complaint in the U.S. District Court for the Central District of California*

In July 2012, a purported class action complaint in the U.S. District Court for the Central District of California was amended to include allegations related to USD LIBOR and name the Bank as a defendant.

The amended complaint was filed on behalf of a purported class that includes holders of adjustable rate mortgages linked to USD LIBOR. In January 2015, the court granted the Bank's motion for summary judgement and dismissed all of the remaining claims against the Bank. The plaintiff has appealed the court's decision to the U.S. Court of Appeals for the Ninth Circuit.

#### *Japanese Yen LIBOR Case in the SDNY*

An additional class action was commenced in April 2012 in the SDNY against the Bank and other Japanese Yen LIBOR panel banks by a plaintiff involved in exchange-traded derivatives. The complaint also names members of the Japanese Bankers Association's Euroyen Tokyo Interbank Offered Rate (the "**Euroyen TIBOR**") panel, of which the Bank is not a member. The complaint alleges, amongst other things, manipulation of the Euroyen TIBOR and Yen LIBOR rates and breaches of the CEA and U.S. Sherman Antitrust Act between 2006 and 2010. The defendants filed a motion to dismiss and, in March 2014, the Court issued a decision granting in part and denying in part that motion. Specifically, the court dismissed the plaintiff's antitrust claims in full, but sustained the plaintiff's CEA claims. The defendants' motion for reconsideration of the decision concerning the CEA claims was denied by the Court in October 2014. The plaintiff moved for leave to file a third amended complaint adding additional claims, including a RICO claim, which was denied in March 2015. Plaintiff sought an immediate appeal of that decision, and that request is pending. Discovery commenced in May 2015

#### *EURIBOR Cases*

In February 2013, a Euribor-related class action was filed against the Issuer, the Bank, BCI and other Euribor panel banks. The plaintiffs assert antitrust, CEA, RICO, and unjust enrichment claims. In particular, the Bank is alleged to have conspired with other Euribor panel banks to manipulate EURIBOR. The lawsuit is brought on behalf of purchasers and sellers of NYSE LIFFE EURIBOR futures contracts, purchasers of Euro currency-related futures contracts and purchasers of other derivative contracts (such as interest rate swaps and forward rate agreements that are linked to EURIBOR) during the period 1 June 2005 through 31 March 2011. All proceedings were stayed until May 2015, when the court modified the stay to permit document discovery to proceed.

In addition, the Bank has been granted conditional leniency from the DOJ-AD in connection with potential U.S. antitrust law violations with respect to financial instruments that reference EURIBOR. As a result of that grant of conditional leniency, the Bank is eligible for (i) a limit on liability to actual rather than treble damages if damages were to be awarded in any civil antitrust action under U.S. antitrust law based on conduct covered by the conditional leniency and (ii) relief from potential joint-and-several liability in connection with such civil antitrust action, subject to the Bank satisfying the DOJ-AD and the court presiding over the civil litigation of fulfilment of its cooperation obligations.

#### *Non-U.S. Benchmarks Cases*

In addition to U.S. actions, legal proceedings have been brought or threatened against the Group in connection with alleged manipulation of LIBOR and EURIBOR in a number of jurisdictions. The number of such proceedings in non-U.S. jurisdictions, the benchmarks to which they relate, and the jurisdictions in which they may be brought have increased over time.

#### *Claimed Amounts/Financial Impact*

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

#### **Civil Actions in respect of ISDAFIX**

Since September 2014, a number of ISDAFIX related civil actions have been filed in the SDNY on behalf of a proposed class of plaintiffs, alleging that the Bank, a number of other banks and one broker, violated the U.S. Sherman Antitrust Act and several state laws by engaging in a conspiracy to manipulate the USD ISDAFIX. A consolidated amended complaint was filed in February 2015.

#### *Claimed Amounts/Financial Impact*

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

#### **Civil Actions in respect of Foreign Exchange Trading**

Since November 2013, a number of civil actions have been filed in the SDNY on behalf of proposed classes of plaintiffs alleging manipulation of Foreign Exchange markets under the U.S. Sherman Antitrust Act and New York state law and naming several international banks as defendants, including the Bank. In February 2014, the SDNY combined all then-pending actions alleging a class of U.S. persons in a single consolidated action.

#### *Recent Developments*

In January 2015, the SDNY denied the motion to dismiss the consolidated action but dismissed two actions alleging classes of non-US persons.

Since February 2015, several additional civil actions have been filed in the SDNY, and one civil action has been filed in the Northern District of California, on behalf of proposed classes of plaintiffs alleging injuries related to Barclays' alleged manipulation of Foreign Exchange rates and naming several international banks as defendants, including the Issuer, the Bank and BCI. One of the newly filed actions asserts claims under the U.S. Employee Retirement Income Security Act ("**ERISA**") statute and includes allegations that are duplicative of allegations in the other cases, as well as additional allegations about Foreign Exchange sales practices and ERISA plans. All of the other newly filed actions assert claims under the U.S. Sherman Antitrust Act and/or the U.S. Commodity Exchange Act.

#### *Claimed Amounts/Financial Impact*

The financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period is currently uncertain.

#### **Civil Actions in respect of the Gold Fix**

Since March 2014, a number of civil complaints have been filed in U.S. federal courts, each on behalf of a proposed class of plaintiffs, alleging that the Bank and other members of The London Gold Market Fixing Ltd. manipulated the prices of gold and gold derivative contracts in violation of the CEA, the U.S. Sherman Antitrust Act, and state antitrust and consumer protection laws. All of the complaints have been transferred to the SDNY and consolidated for pre-trial purposes.

#### *Claimed Amounts/Financial Impact*

It is not currently practicable to provide an estimate of the financial impact of the potential exposure of the actions described or what effect that they might have upon operating results, cash flows or the Group's financial position in any particular period.

#### **U.S. Residential and Commercial Mortgage-related Activity and Litigation**

The Group's activities within the U.S. residential mortgage sector during the period from 2005 through 2008 included:

- Sponsoring and underwriting of approximately \$39 billion of private-label securitisations;
- Economic underwriting exposure of approximately \$34 billion for other private-label securitisations;
- Sales of approximately \$0.2 billion of loans to government sponsored enterprises ("**GSEs**");
- Sales of approximately \$3 billion of loans to others; and

- Sales of approximately \$19.4 billion of loans (net of approximately \$500 million of loans sold during this period and subsequently repurchased) that were originated and sold to third parties by mortgage originator affiliates of an entity that the Group acquired in 2007 (the "**Acquired Subsidiary**").

Throughout this time period, affiliates of the Group engaged in secondary market trading of U.S. residential mortgaged-backed securities ("**RMBS**") and U.S. commercial mortgage backed securities ("**CMBS**"), and such trading activity continues today.

In connection with its loan sales and certain private-label securitisations, on 30 June 2015, the Group had unresolved repurchase requests relating to loans with a principal balance of approximately \$2.6 billion at the time they were sold, and civil actions have been commenced by various parties alleging that the Group must repurchase a substantial number of such loans.

In addition, the Group is party to a number of lawsuits filed by purchasers of RMBS asserting statutory and/or common law claims. The current outstanding face amount of RMBS related to these pending claims against the Group as of 30 June 2015 was approximately \$0.8 billion.

Regulatory and governmental authorities, including amongst others, the DOJ, SEC, Special Inspector General for the U.S. Troubled Asset Relief Program, the U.S. Attorney's Office for the District of Connecticut and the U.S. Attorney's Office for the Eastern District of New York have initiated wide-ranging investigations into market practices involving mortgage-backed securities, and the Group is co-operating with several of those investigations.

## **RMBS Repurchase Requests**

### *Background*

The Group was the sole provider of various loan-level representations and warranties ("**R&Ws**") with respect to:

- Approximately \$5 billion of Group sponsored securitisations;
- Approximately \$0.2 billion of sales of loans to GSEs; and
- Approximately \$3 billion of loans sold to others.

In addition, the Acquired Subsidiary provided R&Ws on all of the \$19.4 billion of loans it sold to third parties.

R&Ws on the remaining Group sponsored securitisations were primarily provided by third-party originators directly to the securitisation trusts with a Group subsidiary, such as the depositor for the securitisation, providing more limited R&Ws. There are no stated expiration provisions applicable to most R&Ws made by the Group, the Acquired Subsidiary or these third parties.

Under certain circumstances, the Group and/or the Acquired Subsidiary may be required to repurchase the related loans or make other payments related to such loans if the R&Ws are breached.

The unresolved repurchase requests received on or before 30 June 2015 associated with all R&Ws made by the Group or the Acquired Subsidiary on loans sold to GSEs and others and private-label activities had an original unpaid principal balance of approximately \$2.6 billion at the time of such sale.

A substantial number (approximately \$2.2 billion) of the unresolved repurchase requests discussed above relate to civil actions that have been commenced by the trustees for certain RMBS securitisations in which the trustees allege that the Group and/or the Acquired Subsidiary must repurchase loans that violated the operative R&Ws. Such trustees and other parties making repurchase requests have also alleged that the operative R&Ws may have been violated with respect to a greater (but unspecified) amount of loans than the amount of loans previously stated in specific repurchase requests made by such trustees. All of the litigation involving repurchase requests remain at early stages.

In addition, the Acquired Subsidiary is subject to a civil action seeking, among other things, indemnification for losses allegedly suffered by a loan purchaser as a result of alleged breaches of R&Ws

provided by the Acquired Subsidiary in connection with loan sales to the purchaser during the period 1997-2007. This litigation is in early stages.

#### *Claimed Amounts/Financial Impact*

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

### **RMBS Securities Claims**

#### *Background*

As a result of some of the RMBS activities described above, the Group is party to a number of lawsuits filed by purchasers of RMBS sponsored and/or underwritten by the Group between 2005 and 2008. As a general matter, these lawsuits allege, among other things, that the RMBS offering materials allegedly relied on by such purchasers contained materially false and misleading statements and/or omissions and generally demand rescission and recovery of the consideration paid for the RMBS and recovery of monetary losses arising out of their ownership.

The original face amount of RMBS related to the pending civil actions against the Group total approximately \$2.3 billion, of which approximately \$0.8 billion was outstanding as at 30 June 2015.

Cumulative realised losses reported on these RMBS as at 30 June 2015 were approximately \$0.2 billion.

#### *Claimed Amounts/Financial Impact*

If the Group were to lose the pending actions the Group believes it could incur a loss of up to the outstanding amount of the RMBS at the time of judgement (taking into account further principal payments after 30 June 2015), plus any cumulative losses on the RMBS at such time and any interest, fees and costs, less the market value of the RMBS at such time and less any provisions taken to date.

Although the purchasers in these securities actions have generally not identified a specific amount of alleged damages, the Group has estimated the total market value of these RMBS as at 30 June 2015 to be approximately \$0.4 billion. The Group may be entitled to indemnification for a portion of such losses.

### **Other Mortgage-related Investigations**

In addition to the RMBS Repurchase Requests and RMBS Securities Claims, numerous regulatory and governmental authorities, amongst them the DOJ, SEC, Special Inspector General for the U.S. Troubled Asset Relief Program, the U.S. Attorney's Office for the District of Connecticut and the U.S. Attorney's Office for the Eastern District of New York have been investigating various aspects of the mortgage-related business, including issuance and underwriting practices in primary offerings of RMBS and trading practices in the secondary market for both RMBS and CMBS. The Group continues to respond to requests relating to the RMBS Working Group of the Financial Fraud Enforcement Task Force (the "**RMBS Working Group**"), which was formed to investigate pre-financial crisis mortgage-related misconduct. In connection with several of the investigations by members of the RMBS Working Group, a number of financial institutions have entered into settlements involving substantial monetary payments.

#### *Claimed Amounts/Financial Impact*

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

### **Lehman Brothers**

Since September 2009, BCI and the Bank have been engaged in litigation with various entities that have sought to challenge certain aspects of the transaction pursuant to which BCI, the Bank and other companies in the Group acquired most of the assets of Lehman Brothers Inc. ("**LBI**") in September 2008, as well as the court order (the "**Order**") approving the sale (the "**Sale**"). In May 2015, BCI and the Bank reached a settlement with the SIPA Trustee for Lehman Brothers Inc. (the "**SIPA Trustee**") to resolve

outstanding litigation between them relating to the Sale. The settlement was approved by the United States Bankruptcy Court for the SDNY (the "**Bankruptcy Court**") on 29 June 2015, thereby bringing the litigation challenging the Sale to an end.

#### *Background Information*

In September 2009, motions were filed in the Bankruptcy Court by Lehman Brothers Holdings Inc. ("**LBHI**"), the SIPA Trustee and the Official Committee of Unsecured Creditors of Lehman Brothers Holdings Inc. (the "**Committee**") challenging certain aspects of the Sale, as well as the Order. The claimants sought an order voiding the transfer of certain assets to BCI, requiring BCI to return to the LBI estate any excess value BCI allegedly received, and declaring that BCI is not entitled to certain assets that it claims pursuant to the Sale documents and the Order ("**Rule 60 Claims**").

In January 2010, BCI filed its response to the motions and also filed a motion seeking delivery of certain assets that LBHI and LBI had failed to deliver as required by the Sale documents and the Order (together with the SIPA Trustee's competing claims to those assets, the "**Contract Claims**").

In 2011, the Bankruptcy Court rejected the Rule 60 Claims and decided some of the Contract Claims in the SIPA Trustee's favour and some in favour of BCI. BCI and the SIPA Trustee each appealed the Bankruptcy Court's adverse rulings on the Contract Claims to the SDNY. LBHI and the Committee did not appeal the Bankruptcy Court's ruling on the Rule 60 Claims.

In July 2012, the SDNY issued an opinion on the Contract Claims stating that BCI and the Bank were entitled to receive:

- \$1.1 billion (£0.7 billion) from the SIPA Trustee in respect of 'clearance box' assets (the "**Clearance Box Assets**"); and
- Property held at various institutions in respect of the exchange traded derivatives accounts transferred to BCI in the Sale (the "**ETD Margin**").

The SIPA Trustee appealed to the Second Circuit. In August 2014, the Second Circuit affirmed the SDNY's decision as to the Clearance Box Assets and the ETD Margin.

In October 2014, the SIPA Trustee filed a motion with the SDNY to confirm the scope of the SDNY's judgement regarding the ETD Margin that BCI and the Bank were entitled to receive. With that motion, the SIPA Trustee challenged the entitlement of BCI and the Bank to approximately \$1.1 billion of assets that the SIPA Trustee asserted did not constitute ETD Margin. In April 2015, the SDNY ruled in favour of BCI and the Bank, confirming that they were entitled to all of the ETD Margin.

In October 2014, the SIPA Trustee made a payment to the Bank of \$1.1 billion (£0.7 billion), fully discharging the SIPA Trustee's obligations in respect of the Clearance Box Assets.

#### *Recent Developments*

In December 2014, the SIPA Trustee requested that the U.S. Supreme Court review the rulings of the SDNY and the Second Circuit regarding the ETD margin. In May 2015, the U.S. Supreme Court published its denial of the SIPA Trustee's request.

In May 2015, the parties reached a settlement to resolve outstanding litigation between them relating to the Sale (the "**Settlement**"). The Settlement was approved by the Bankruptcy Court on 29 June 2015. Pursuant to the Settlement, the Bank has received all of the assets that the SIPA Trustee had asserted did not constitute ETD Margin with the exception of \$80 million (£51 million) of assets that the SIPA Trustee is entitled to retain and approximately \$0.3 billion of ETD Margin still owed to the Bank but expected to be received from third parties.

#### *Financial Impact*

As at 30 June 2015, the Bank recognised as a financial asset on its balance sheet approximately \$1.6 billion (£1.0 billion) in respect of assets to which the Bank is entitled as part of the Sale and the Settlement but which it had not received as of that date. The financial asset reflects an increase of approximately \$0.8 billion (£0.5 billion) recognised in profit and loss for the six month period ended 30



June 2015 as a result of the Settlement. Pursuant to the Settlement, the SIPA Trustee made a payment to the Bank on 2 July 2015 of approximately \$1.3 billion (£0.9 billion), representing the value of the ETD Margin held by the SIPA Trustee less the \$80 million of ETD Margin that the SIPA Trustee is entitled to retain under the terms of the Settlement, thereby fully discharging the SIPA Trustee's payment in respect of the ETD Margin or otherwise relating to the Sale. After application of this payment from the SIPA Trustee, the Bank has a financial asset of approximately \$0.3 billion on its balance sheet in respect of ETD Margin still owed to the Bank but expected to be received from third parties.

### **American Depositary Shares**

The Issuer, the Bank and various former members of the Issuer's Board of Directors have been named as defendants in a securities class action consolidated in the SDNY, alleging misstatements and omissions in offering documents for certain American Depositary Shares issued by the Bank in April 2008 with an original face amount of approximately \$2.5 billion (the "**April 2008 Offering**").

#### *Background Information*

The plaintiffs have asserted claims under the Securities Act of 1933, alleging that the offering documents for the April 2008 Offering contained misstatements and omissions concerning (amongst other things) the Bank's portfolio of mortgage-related (including U.S. subprime-related) securities, the Bank's exposure to mortgage and credit market risk, and the Bank's financial condition. The plaintiffs have not specifically alleged the amount of their damages.

In June 2014, the SDNY denied defendants' motion to dismiss the claims. The case is in discovery.

#### *Claimed Amounts/Financial Impact*

It is not currently practicable to provide an estimate of the financial impact of the action described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

### **BDC Finance L.L.C.**

BDC Finance L.L.C. ("**BDC**") filed a complaint against the Bank in the NY Supreme Court alleging breach of contract in connection with a portfolio of total return swaps governed by an ISDA Master Agreement (collectively, the "**Agreement**"). A ruling was made against the Bank, but the New York State Court of Appeals effectively reversed that ruling. Parties related to BDC have also sued the Bank and BCI in the Connecticut State Court in connection with the Bank's conduct relating to the Agreement.

#### *Background Information*

In October 2008, BDC filed a complaint in the NY Supreme Court alleging that the Bank breached the Agreement when it failed to transfer approximately \$40 million of alleged excess collateral in response to BDC's October 2008 demand (the "**Demand**").

BDC asserts that under the Agreement the Bank was not entitled to dispute the Demand before transferring the alleged excess collateral and that even if the Agreement entitled the Bank to dispute the Demand before making the transfer, the Bank failed to dispute the Demand.

BDC demands damages totalling \$298 million plus attorneys' fees, expenses, and prejudgement interest.

In August 2012, the NY Supreme Court granted partial summary judgement for the Bank, ruling that the Bank was entitled to dispute the Demand before transferring the alleged excess collateral, but determining that a trial was required to determine whether the Bank actually did so. The parties cross-appealed to the Appellate Division of the NY Supreme Court (the "**NY Appellate Division**").

In September 2011, BDC's investment advisor, BDCM Fund Adviser, L.L.C. and its parent company, Black Diamond Capital Holdings, L.L.C. also sued the Bank and BCI in the Connecticut State Court for unspecified damages allegedly resulting from the Bank's conduct relating to the Agreement, asserting claims for violation of the Connecticut Unfair Trade Practices Act and tortious interference with business and prospective business relations. The parties have agreed to a stay of that case.

In October 2013, the NY Appellate Division reversed the NY Supreme Court's grant of partial summary judgement in favour of the Bank, and instead granted BDC's motion for partial summary judgement, holding that the Bank breached the Agreement. The NY Appellate Division did not rule on the amount of BDC's damages, which has not yet been determined by the NY Supreme Court.

#### *Recent Developments*

In February 2015, in connection with the Bank appeal of the October 2013 decision, the New York Court of Appeals modified the NY Appellate Division's grant of partial summary judgement to BDC, holding that summary judgement in either party's favour cannot be granted because a material issue of fact remains as to whether the Bank breached the Agreement. The New York Court of Appeals ordered that the matter be referred back to the NY Supreme Court for further proceedings.

#### *Claimed Amounts/Financial Impact*

BDC has made claims against the Group totalling \$298 million plus attorneys' fees, expenses, and pre-judgement interest. This amount does not necessarily reflect the Group's potential financial exposure if a ruling were to be made against it.

#### **Civil Actions in respect of the U.S. Anti-Terrorism Act**

In April 2015, an amended civil complaint was filed in the U.S. Federal Court in the Eastern District of New York by a group of approximately 250 plaintiffs, alleging that the Group and a number of other banks engaged in a conspiracy and violated the U.S. Anti-Terrorism Act (the "ATA") by facilitating U.S. dollar denominated transactions for the Government of Iran and various Iranian banks, which in turn funded Hezbollah attacks that injured the plaintiffs' family members. Plaintiffs seek to recover for pain, suffering and mental anguish pursuant to the provisions of the ATA, which allows for the tripling of any proven damages.

#### *Claimed Amounts/Financial Impact*

It is not currently practicable to provide an estimate of the financial impact of the matters in this section or what effect that these matters might have upon operating results, cash flows or the Group's financial position in any particular period.

#### **Credit Default Swap ("CDS") Antitrust Investigations and Civil Actions**

The Commission and the DOJ-AD commenced investigations in the CDS market, in 2011 and 2009, respectively. In July 2013, the Commission addressed a Statement of Objections to the Bank, 12 other banks, Markit Ltd. and ISDA. The case relates to concerns that certain banks took collective action to delay and prevent the emergence of exchange traded credit derivative products.

If the Commission does reach a decision in this matter it has indicated that it intends to impose sanctions. The Commission's sanctions can include fines. The DOJ-AD's investigation is a civil investigation and relates to similar issues. The Bank is also contesting a proposed, consolidated class action alleging similar issues that has been filed in the U.S. Discovery in the case is ongoing.

#### *Claimed Amounts/Financial Impact*

It is not currently practicable to provide an estimate of the financial impact of the actions described on the Group or what effect that they might have upon the Group's operating results, cash flows or financial position in any particular period.

## **Portuguese Competition Authority Investigation**

The Portuguese Competition Authority is investigating whether competition law was infringed by the exchange of information about retail credit products amongst 15 banks in Portugal, including the Group, over a period of 11 years with particular reference to mortgages, consumer lending and lending to small and medium enterprises. The Group is co-operating with the investigation.

### *Claimed Amounts/Financial Impact*

It is not currently practicable to provide an estimate of the financial impact of these matters or what effect that they may have upon operating results, cash flows or the Group's financial position in any particular period.

## **Provisions**

### *Payment Protection Insurance Redress*

As at 30 June 2015, the Group had recognised cumulative provisions totalling £0.6 billion against the cost of Payment Protection Insurance ("PPI") redress and associated processing costs with utilisation of £4.7 billion leaving a residual provision of £1.3 billion.

Through to 30 June 2015, 1.4 million (31 December 2014: 1.3 million) customer initiated claims had been received and processed. The volume of claims received during H115 decreased 14 per cent. compared to H214. This rate of decline however was slower than previously expected, due to steady levels of claims from Claims Management Companies in particular.

The current provision represents the Group's revised best estimate of all future expected costs of PPI redress, however, it is possible the eventual outcome may differ from the current estimate. If this were to be material, the provision will be increased or decreased accordingly.

### *Packaged bank account redress*

As at 30 June 2015 the Group held a provision of £250 million for customer redress and associated operational costs to be incurred in response to complaints received relating to Packaged Bank Accounts.

## **General**

The Group is engaged in various other legal, competition and regulatory matters both in the U.K. and a number of overseas jurisdictions. It is subject to legal proceedings by and against the Group which arise in the ordinary course of business from time to time, including (but not limited to) disputes in relation to contracts, securities, debt collection, consumer credit, fraud, trusts, client assets, competition, data protection, money laundering, employment, environmental and other statutory and common law issues.

The Group is also subject to enquiries and examinations, requests for information, audits, investigations and legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to) consumer protection measures, compliance with legislation and regulation, wholesale trading activity and other areas of banking and business activities in which the Group is or has been engaged.

At the present time, the Group does not expect the ultimate resolution of any of these other matters to have a material adverse effect on its financial position. However, in light of the uncertainties involved in such matters and the matters specifically described in this section, there can be no assurance that the outcome of a particular matter or matters will not be material to the Group's results of operations or cash flow for a particular period, depending on, amongst other things, the amount of the loss resulting from the matter(s) and the amount of income otherwise reported for the reporting period.

## **Directors**

The Directors of the Issuer, each of whose business address is 1 Churchill Place, London E14 5HP, United Kingdom, their functions in relation to the Group and their principal outside activities (if any) of significance to the Group are as follows:

<i>Name</i>	<i>Function(s) within the Group</i>	<i>Principal outside activities</i>
John McFarlane <sup>6</sup>	Executive Chairman	Director, Westfield Group; Director, Old Oak Holdings Ltd
Tushar Morzaria	Group Finance Director	
Tim Breedon CBE	Non-Executive Director	Adviser, Blackstone Group L.P; Chairman, Apax Global Alpha
Crawford Gillies	Non-Executive Director	Non-Executive Director Standard Life plc; Chairman, Control Risks Group Limited; Chairman, Scottish Enterprise
Reuben Jeffery III	Non-Executive Director	Chief Executive Officer, President and Director, Rockefeller & Co., Inc. and Rockefeller Financial Services Inc.; Member International Advisory Council of the China Securities Regulatory Commission; Member, Advisory Board of Towerbrook Capital Partners LP; Director, Financial Services Volunteer Corps; International Advisory Committee, J. Rothschild Capital management
Dambisa Moyo	Non-Executive Director	Non-Executive Director, SABMiller PLC; Non-Executive Director, Barrick Gold Corporation
Sir Michael Rake	Deputy Chairman and Senior Independent Director	Chairman, BT Group PLC; Director, McGraw-Hill Financial Inc.
Diane de Saint Victor	Non-Executive Director	General Counsel, Company Secretary and a member of the Group Executive Committee of ABB Limited; Member, Advisory Board of the World Economic Forum's Davos Open Forum
Frits van Paasschen	Non-Executive Director	
Mike Ashley	Non-Executive Director	Member, HM Treasury Audit Committee; Member, Institute of Chartered Accountants in England & Wales' Ethics Standards Committee; Vice-Chair, European Financial Reporting Advisory Group's Technical Expert Group; Chairman, Government Internal Audit Agency; Member, Board of the Charity Commission

<sup>6</sup> John McFarlane succeeded Sir David Walker as Chairman of the Bank and the Issuer with effect from the conclusion of the Issuer's AGM on 23 April 2015. On 8 July 2015, the Issuer and the Bank announced the departure of Antony Jenkins as Chief Executive Officer and the appointment of John McFarlane as Executive Chairman pending the appointment of a new Chief Executive.

<i>Name</i>	<i>Function(s) within the Group</i>	<i>Principal outside activities</i>
Wendy Lucas-Bull	Non-Executive Director; Chairman of Barclays Africa Group Limited	Director, Afrika Tikkun NPC; Director, Peotona Group Holdings (Pty) Limited
Stephen Thieke	Non-Executive Director	
Diane Schueneman	Non-Executive Director	Non-Executive Director, ICAP Plc

Barclays Africa Group Limited ("**BAGL**") is majority-owned by the Group and a minority of the voting capital is held by non-controlling third party interests. As such, procedures are in place to manage any potential conflicts of interest arising from Wendy Lucas-Bull's duties as (1) a Non-Executive Director of the Issuer and (2) her duties as Chairman of BAGL. Except as stated above in respect of Wendy Lucas-Bull, no potential conflicts of interest exist between any duties to the Issuer of the Directors listed above and their private interests or other duties.

## UNITED KINGDOM TAXATION

*The following is a summary of the U.K. withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Securities and certain U.K. stamp duty and stamp duty reserve tax implications of acquiring, holding and disposing of the Securities. Save where expressly stated to the contrary, it is based on current law and the practice of Her Majesty's Revenue & Customs ("HMRC"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other U.K. tax aspects of acquiring, holding or disposing of the Securities. The comments relate only to the position of persons who are absolute beneficial owners of the Securities. The following is a general guide and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that might be relevant to a prospective purchaser. Holders who are in any doubt as to their tax position should consult their professional advisers. Holders who may be liable to taxation in jurisdictions other than the U.K. in respect of their acquisition, holding or disposal of the Securities are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain U.K. taxation aspects of payments in respect of the Securities. In particular, Holders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Securities even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the U.K.*

### **The Taxation of Regulatory Capital Securities Regulations 2013 (the "Regulations")**

Section 221 of the Finance Act 2012 allows HM Treasury to make regulations to make provision about the tax consequences in relation to securities issued in relation to regulatory requirements imposed by EU legislation. Pursuant to this, on 18 December 2013, the Regulations were made to provide certainty of tax treatment for "regulatory capital securities".

The securities will constitute a "regulatory capital security" for the purposes of the Regulations provided that the securities qualify, or have qualified, as an Additional Tier 1 instrument under Article 52 of the Commission Regulation (EU) No. 575/2013 and form, or formed, a component of Additional Tier 1 capital for the purposes of Commission Regulation (EU) No 575/2013.

### **Payments of Interest**

Interest on the Securities may be paid without withholding or deduction for or on account of U.K. income tax if the Securities constitute a "regulatory capital security" for the purposes of the Regulations and there are no arrangements, the main purpose, or one of the main purposes, of which is to obtain a tax advantage for any person as a result of the application of these Regulations in respect of the Securities.

If the exemption referred to above does not apply, interest on the Securities may fall to be paid under deduction of U.K. income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

### **Provision of information**

HMRC have powers to obtain information, including in relation to interest or payments treated as interest and payments derived from securities. This may include details of the beneficial owners of the Securities (or the persons for whom the Securities are held), details of the persons to whom payments derived from the Securities are or may be paid and information in connection with transactions relating to the Securities. Information obtained by HMRC may be provided to tax authorities in other countries.

### **Stamp duty and Stamp duty reserve tax**

No liability to U.K. stamp duty or stamp duty reserve tax will arise on the issue or transfer of Securities provided that, in the case of transfers of Securities, the Securities are "regulatory capital securities" for the purposes of the Regulations and there are no arrangements, the main purpose, or one of the main purposes, of which is to obtain a tax advantage as a result of the application of the Regulations in respect of the Securities.

No liability to U.K. stamp duty or stamp duty reserve tax will generally arise on the redemption of Securities, provided no issue or transfer of shares or other securities is effected upon or in connection with such redemption.

No liability to U.K. stamp duty or stamp duty reserve tax will arise for a Holder on the write down of Securities on Automatic Conversion.

No liability to U.K. stamp duty or stamp duty reserve tax will arise for a Holder on the issuance of ordinary shares in Barclays PLC by Barclays PLC to the Holders.

For a summary of certain U.K. tax consequences of holding Ordinary Shares see pages 311-312 of the Joint Annual Report, which is incorporated by reference herein.

## SWITZERLAND

### **General**

*The following discussion of taxation under the heading "Switzerland" in this section is only an indication of certain tax implications currently in force under the laws of Switzerland as they may affect investors. It applies only to persons who are beneficial owners of the Securities and may not apply to certain classes of person. The summary contains general information only; it is not exhaustive and does not constitute legal or tax advice and is based on taxation law and practice at the date of this Offering Circular. Potential investors should be aware that tax law and interpretation, as well as the level and bases of taxation, may change from those described and that changes may alter the benefits of investment in, holding or disposing of, Securities. The Issuer makes no representations as to the completeness of the information nor undertakes any liability of whatsoever nature for the tax implications for investors. Potential investors are strongly advised to consult their own professional advisers on the implications of making an investment in, holding or disposing of, Securities under the laws of the countries in which they are liable to taxation and in light of their particular circumstances.*

### **Swiss Federal Withholding Tax on Securities**

Payments by the Issuer in respect of the Securities are not subject to Swiss federal withholding tax (*Verrechnungssteuer*).

### **Swiss Issue Stamp Tax and Swiss Transfer Stamp Tax**

The issue of the Securities and their sale and delivery on the Issue Date to their initial Holders is not subject to Swiss federal securities issuance tax (*Emissionsabgabe*) and Swiss federal securities turnover tax (*Umsatzabgabe*) (primary market).

The trading of Securities in the secondary market is subject to Swiss federal securities turnover tax at a rate of 0.15 per cent. of the consideration paid for the Securities traded, however, only if a Swiss securities dealer, as defined in the Swiss federal stamp tax act (*Bundesgesetz über die Stempelabgaben*), is a party or an intermediary to the transaction and no exemption applies. Where both the seller and the purchaser of the Securities are not residents of Switzerland or the Principality of Liechtenstein, no Swiss federal stamp securities turnover tax will apply.

### **Swiss Income Taxation**

#### (i) Securities held on Principal or Interest

Payments by the Issuer of interest and repayment of principal to, and gain realised on the sale or redemption of Securities by, a holder of Securities who is not a resident of Switzerland and who during the relevant taxation year has not engaged in a trade or business through a permanent establishment or a fixed place of business in Switzerland to which the Securities are attributable and who is not subject to income taxation in Switzerland for any other reason will not be subject to any Swiss federal, cantonal or communal income tax.

#### (ii) Securities held by Swiss holders as private assets

Individuals who reside in Switzerland and who hold the Securities as private assets are required to include all payments of interest in respect of the Securities by the Issuer, in their personal income tax return and will be taxable on any net taxable income (including the payments of interest in respect of the Securities) for the relevant tax period. Any capital gain or loss realised on the sale or other disposition of such Securities or any loss realised following a write-down will be considered a tax-free capital gain respectively a non-tax-deductible loss.

#### (iii) Securities held as Swiss business assets

Individuals who hold Securities as part of a business in Switzerland and Swiss-resident corporate taxpayers and corporate taxpayers residing abroad holding Securities as part of a permanent establishment or fixed place of business in Switzerland are required to recognise the payments of interest and any capital gain or loss realised on the sale or other disposition of such Securities or following a write-down in their income statement for the respective tax period and will be



taxable on any net taxable earnings for such tax period. The same taxation treatment also applies to Swiss-resident individuals who, for income tax purposes, are classified as "professional securities dealers" for reasons of, *inter alia*, frequent dealings and leveraged transactions in securities.

### **Final Foreign Withholding Taxes**

On 1 January 2013, treaties on final withholding taxes of Switzerland with the U.K. and Austria entered into force (each a "**Contracting State**"). The treaties require a Swiss paying agent, as defined in the treaties, to levy a flat-rate final withholding tax (*internationale Quellensteuer*) at rates specified in the treaties on certain capital gains and income items (interest, dividends, other income items), all as defined in the treaties, deriving from assets, including the Securities, held in accounts or deposits with a Swiss paying agent by (i) an individual resident in a Contracting State or, (ii) if certain requirements are met, by a domiciliary company (*Sitzgesellschaft*), an insurance company in connection with a so-called insurance wrapper (*Lebensversicherungsmantel*) or other individuals if the beneficial owner is an individual resident in a Contracting State. The flat-rate tax withheld substitutes the ordinary income tax on the respective capital gains and income items in the Contracting State where the individual is tax resident. In order to avoid the withholding of the flat-rate tax by the Swiss paying agent, such individuals may opt for a disclosure of the respective capital gains and income items to the tax authorities of the Contracting State where they are tax residents. Switzerland may conclude similar treaties with other European countries.

## OTHER TAX CONSIDERATIONS

### *The proposed financial transactions tax ("FTT").*

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Securities (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT by 1 January 2016.

However, the FTT proposal remains subject to negotiation between the participating Member States and the implementation of and scope of any tax is uncertain. Additional EU Member States may decide to participate.

Prospective Holders are advised to seek their own professional advice in relation to the FTT.

### *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Tax Directive**"), each Member State is 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, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries including Switzerland, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the Savings Tax Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the Savings Tax Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

However, the European Commission has proposed the repeal of the Savings Tax Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Tax Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative

Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive. Investors who are in any doubt as to their position should consult their professional advisers.

## SUBSCRIPTION AND SALE

Barclays Bank PLC (the "**Bookrunner**"), Banca IMI S.p.A., Banco Bilbao Vizcaya Argentaria, S.A., Banco Santander, S.A., BNP PARIBAS, Morgan Stanley & Co. International plc, SMBC Nikko Capital Markets Limited, Standard Chartered Bank, UBS Limited and Wells Fargo Securities International Limited (together, the "**Joint Lead Managers**") and ABN AMRO Bank N.V., Lloyds Bank plc, Pohjola Bank plc, Scotiabank Europe plc and The Toronto-Dominion Bank (together, the "**Co-Lead Managers**") and, together with the Bookrunner and the Joint Lead Managers, the "**Managers**") have, in the subscription agreement dated 7 August 2015 (the "**Subscription Agreement**") and made between the Issuer and the Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe for the Securities at their issue price of 99.990 per cent. of their principal amount. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Securities.

### United States of America

The Securities 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 certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

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

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

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

### United Kingdom

Each Manager has further represented, warranted and undertaken in the Subscription Agreement that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

### General

Each Manager has represented, warranted and agreed in the Subscription Agreement that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Securities or possesses, distributes or publishes this Offering Circular or any other offering material relating to the Securities. Persons into whose hands this Offering Circular comes are required by the Issuer and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Securities or possess, distribute or publish this Offering Circular or any other offering material relating to the Securities, in all cases at their own expense.

## **Other Relationships**

Some of the Managers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer or the Issuer's affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or of its affiliates. Certain of the Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Securities. Any such short positions could adversely affect future trading prices of the Securities. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## GENERAL INFORMATION

### 1. Authorisation

The creation and issue of the Securities has been authorised by the Board at meetings held on 12 December 2013 (as amended on 19 June 2014) and 11 December 2014 and by the approval of the Group Finance Director and written resolution of the Treasury Committee of Barclays PLC dated 30 July 2015.

### 2. Group Structure

Principal subsidiaries for the Group as at 31 December 2014 are set out below. This includes those subsidiaries that are most significant in the context of the Group's business, results or financial position:

Company Name	Principal place of business or incorporation	Nature of Business	Percentage of Voting rights held %	Non-controlling interest – proportion of ownership interests %	Non-controlling interests – proportion of voting interests%
Barclays Bank PLC .....	England	Banking, holding company	100	11	–
Barclays Capital Securities Limited.....	England	Securities dealing	100	–	–
Barclays Private Clients International Limited.....	Isle of Man	Banking Securities	100*	–	–
Barclays Securities Japan Limited.....	Japan	Securities dealing	100	–	–
Barclays Africa Group Limited...	South Africa	Banking	62	38	38
Barclays Bank S.A.U. ....	Spain	Banking	100*	–	–
Barclays Capital Inc. ....	United States	Securities dealing	100	–	–
Barclays Bank Delaware .....	United States	Credit card issuer	100	–	–

The country of registration or incorporation is also the principal area of operation of each of the above subsidiaries. At 31 December 2014, a contractual agreement for the sale and transfer of Barclays Bank S.A.U. and its subsidiaries, comprising all its associated assets and liabilities to a third party, Caixabank, S.A. was in place. The sale was completed on 2 January 2015.

\* Investments in subsidiaries held directly by the Bank are marked\*.

The Group's holdings of Barclays PLC shares change on a daily basis. The balance of these shares is passed through the financial statements within the treasury shares account. This account mainly comprises Barclays PLC shares purchased in relation to employee benefits. As at 31 December 2014, 19,333,805 Barclays PLC shares were held by the Group.

### 3. Business Overview and Geographic Regions

Following the Group strategy update in May 2014, the Group is structured around four core businesses: Personal and Corporate Banking, Barclaycard, Africa Banking and the Investment Bank. Businesses and assets which no longer fit the Group's strategic objectives, are not expected to meet the returns criteria and/or offer limited growth opportunities to Barclays, have been reorganised into Barclays Non-Core. These assets are designated for exit or run-down over time.

#### *Personal and Corporate Banking ("PCB")*

PCB combines key elements of UK Retail and Business Banking, selected Wealth operations, and the UK and International Corporate businesses. PCB brings together a leading U.K. high street bank providing retail banking services and general insurance to individuals and business banking services to small and medium enterprises (SMEs); a leading provider of cash management, lending and trade financing to corporate clients in the U.K. and global businesses, financial institutions and international organisations; and a global wealth manager and advisor, providing private and intermediary clients with international and private banking, investment

management, fiduciary services and brokerage. For further information on PCB, see pages 200-202 of the Joint Annual Report, which is incorporated by reference into this Offering Circular.

#### *Barclaycard*

A leading international payments business, offering payments and lending to individuals, and a range of business services including card issuing and payment acceptance services. For further information on Barclaycard, see pages 203-204 of the Joint Annual Report, which is incorporated by reference into this Offering Circular.

#### *Africa Banking ("Africa Banking")*

A leading pan-African retail and business bank serving customers and clients in 12 countries with a range of banking and bancassurance solutions across the spectrum of retail, wealth, corporate and investment banking customers and clients. For further information on Africa Banking, see pages 205-206 of the Joint Annual Report, which is incorporated by reference into this Offering Circular.

#### *Investment Bank*

A leading international investment bank serving large corporate clients, financial institutions, governments and institutional investors with financial advisory, capital-raising, financing and risk management services. For further information on the Investment Bank, see pages 207-208 of the Joint Annual Report, which is incorporated by reference into this Offering Circular.

#### 4. **Legal Proceedings and Regulatory Matters**

Save as disclosed in "*Description of the Issuer and the Group – Legal Proceedings*" (other than under the heading "*General*"), no member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), which may have or have had during the 12 months preceding the date of this Offering Circular, a significant effect on the financial position or profitability of the Issuer and/or the Group.

#### 5. **Significant/Material Change**

Since 31 December 2014, there has been no material adverse change in the prospects of the Issuer or the Group and since 30 June 2015 there has been no significant change in the financial or trading position of the Issuer or the Group.

#### 6. **Auditors**

The annual consolidated financial statements of the Issuer have been audited without qualification for the years ended 31 December 2013 and 31 December 2014 by PricewaterhouseCoopers LLP, chartered accountants and registered auditors (a member of the Institute of Chartered Accountants in England and Wales).

#### 7. **Documents on Display**

Copies of the following documents may be inspected during normal business hours at the offices at Barclays Treasury, 1 Churchill Place, London E14 5HP United Kingdom, at the specified office of The Bank of New York Mellon, London Branch, at One Canada Square, London E14 5AL, United Kingdom, and in Switzerland at the office of BNP PARIBAS SECURITIES SERVICES, Paris, succursale de Zurich, Selnaustrasse 16, CH-8002 Zurich, Switzerland or may be obtained by fax (+41 58 212 6360) or email (ZURICH\_BP2S\_CUSTODY@bnpparibas.com) for 12 months from the date of this Offering Circular:

- (a) the Articles of Association of the Issuer; and
- (b) the Joint Annual Report and the 2015 Interim Results Announcement.

8. **Approval, Listing and Admission to Trading**

In accordance with Article 43 of the Listing Rules of the SIX Swiss Exchange, Niederer Kraft & Frey Ltd will lodge the listing application with the Regulatory Board of the SIX Swiss Exchange.

9. **ISIN, Common Code and Swiss Security Number**

The Securities have been accepted for clearance through the Clearing Systems. The ISIN is XS1274156097, the common code is 127415609 and the Swiss security number is 29169051.

The ordinary shares of Barclays PLC are listed on the Official List of the FCA and trade on the London Stock Exchange under the symbol "BARC". The ISIN for the ordinary shares of Barclays PLC is GB0031348658. Information about the past and future performance of the ordinary shares of Barclays PLC and its volatility can be obtained from the website of the London Stock Exchange at [www.londonstockexchange.com](http://www.londonstockexchange.com).



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**TRUSTEE**

**BNY Mellon Corporate Trustee Services Limited**

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