

PROSPECTUS



BARCLAYS BANK PLC

(incorporated with limited liability in England and Wales)

£3,000,000,000

14 per cent. Step-up Callable Perpetual Reserve Capital Instruments

Issue Price: 100 per cent.

The £3,000,000,000 14 per cent. Step-up Callable Perpetual Reserve Capital Instruments (the "RCIs") of Barclays Bank PLC (the "Bank" or the "Issuer") will bear interest from (and including) 27 November 2008 (the "Issue Date") to (but excluding) 15 June 2019 at a rate of 14 per cent. per annum, payable annually in arrear on 15 June in each year, save that the first payment will be made on 15 June 2009 in respect of the period from (and including) the Issue Date to (but excluding) 15 June 2009 and will amount to £76.71 per £1,000 principal amount of the RCIs. From (and including) 15 June 2019, the RCIs will bear interest at a rate, reset quarterly, of 13.4 per cent. per annum above the London interbank offered rate for 3-month Sterling deposits, payable quarterly in arrear on 15 March, 15 June, 15 September and 15 December in each year, all as more particularly described in "Terms and Conditions of the RCIs - 5. Coupon Payments".

Coupon Payments (as defined herein) may be deferred as described in "Terms and Conditions of the RCIs - 4. Deferrals" but, whilst any Payment (as defined herein) is so deferred, the Bank and Barclays PLC (the "Holding Company") may not (a) pay dividends (other than a final dividend declared by the Holding Company before deferral) on shares or satisfy any payments of interest in respect of any Existing RCIs (as such term is defined in "Terms and Conditions of the RCIs"), in each case ranking, as to the right of payment of dividend, distributions or coupons, *pari passu* with or junior to the RCIs (other than shares or other securities of the Issuer held by the Holding Company or a wholly-owned subsidiary) or (b) redeem, purchase, reduce or otherwise acquire any of the share capital or any securities of any of the Issuer, the Holding Company or any securities of any of their respective subsidiary undertakings benefiting from a guarantee from the Issuer or the Holding Company, in each such case ranking, as to the right of repayment of principal, or in the case of any such guarantee, as to the payment of sums under such guarantee, *pari passu* with or junior to the RCIs (other than shares or other securities of the Issuer held by the Holding Company or a wholly-owned subsidiary).

The RCIs are redeemable (at the option of the Bank) in whole but not in part on 15 June 2019 or on each Coupon Payment Date (as defined herein) thereafter, *provided that* the Solvency Condition (as defined herein) is met. In addition, the RCIs may be redeemed at the option of the Bank in the event that it is required to pay additional amounts as provided in "Terms and Conditions of the RCIs - 11. Taxation" and, upon the occurrence of certain other tax or regulatory events, all as more particularly described in "Terms and Conditions of the RCIs - 7. Redemption and Substitution". Any redemption of the RCIs pursuant to tax or regulatory events prior to 15 June 2019 is subject to (i) the prior consent of the Financial Regulator (as defined herein) and (ii) the requirement that the circumstance that entitles the Issuer to exercise its right of redemption is a change of law or regulation in the United Kingdom or a change in the interpretation of such law or regulation by any court or authority entitled to do so (except, in each case, to the extent that the Financial Regulator no longer requires). The RCIs may in certain circumstances (at the option of the Bank) be substituted with Qualifying Tier 1 Instruments (as defined herein). See "Terms and Conditions of the RCIs - 7. Redemption and Substitution".

The RCIs will be unsecured securities of the Bank and will be subordinated to the claims of Senior Creditors (as defined herein). No payment of principal (including amounts to be funded through the issue of Issuer Shares (as defined herein) in accordance with "Terms and Conditions of the RCIs - 6. Alternative Coupon Satisfaction Mechanism") or interest in respect of the RCIs may be made unless the Bank is able to make such payment (or issue the relevant Issuer Shares) and remain solvent immediately thereafter. In the event of either the winding-up of the Bank or the appointment of an administrator of the Bank where the administrator has given notice that he/she intends to declare and distribute a dividend, the RCI Holders (as defined herein) will, for the purpose only of calculating the amounts payable in respect of each RCI, be treated as if they were the holders of preference shares ranking *pari passu* with the holders of Existing RCIs (as defined herein), Existing TONs (as defined herein) and holders of that class or classes of preference shares (if any) from time to time issued by the Bank which have a preferential right to a return of assets in the winding-up or such administration, as the case may be, over, and so rank ahead of, the holders of all other classes of the Bank's issued shares on the day immediately prior to the commencement of the winding-up or such administration, as the case may be. See "Terms and Conditions of the RCIs - 3. Winding-up and Administration".

**For a description of certain matters that prospective investors should consider, see "Risk Factors".**

Applications have been made for the RCIs to be admitted to listing on the official list (the "Official List") maintained by the Financial Services Authority (the "FSA") (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 (the "FSMA"), the "UK Listing Authority") and to the London Stock Exchange plc (the "London Stock Exchange") for the RCIs to be admitted to trading on the London Stock Exchange's regulated market. References in this Prospectus to RCIs being listed (and all related references) shall mean that such RCIs have been admitted to trading on the London Stock Exchange's regulated market and have been listed on the Official List maintained by the UK Listing Authority. The London Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

The RCIs have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"). The RCIs may not be offered, sold, transferred or delivered in the United States absent registration or an applicable exemption from registration requirements.

The Prospectus has been approved by the UK Listing Authority (which is the competent authority in the United Kingdom for the purposes of Directive 2003/71/EC (the "Prospectus Directive") and relevant implementing measures in the United Kingdom) as a prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purposes of giving information with regard to the issue of the RCIs.

**Sole Bookrunner**  
**BARCLAYS CAPITAL**

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

In connection with the offering of the RCIs (the "**Offering**"), no person is authorised to give any information or to make any representation not contained in this Prospectus and neither the Issuer, the Holding Company nor the Banks (as defined in "*Subscription and Sale*") accepts responsibility for any such information or representation. This Prospectus does not constitute an offer of, or an invitation to subscribe for, the RCIs.

The distribution of this Prospectus and the offering, sale or delivery of the RCIs in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Banks (as defined in "*Subscription and Sale*") to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of RCIs and on the distribution of this Prospectus and other offering material relating to RCIs, see "*Subscription and Sale*" below. In particular, the RCIs have not been, and will not be, registered under the Securities Act and may not be offered, sold, transferred or delivered in the United States absent registration or an applicable exemption from registration requirements. This Prospectus may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

RCIs will be represented by interests in a global RCI certificate (the "**Global RCI Certificate**"), registered in the name of a common depository for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") on or about the Issue Date. Individual RCI certificates ("**Individual RCI Certificates**") evidencing holdings of RCIs will only be available in certain limited circumstances. See further "*Summary of Provisions Relating to the RCIs While in Global Form*".

The RCIs will be in registered form and in minimum denominations of £50,000 and integral multiples of £1,000 in excess thereof.

Investors should satisfy themselves that they understand all the risks associated with making investments in the nature of the RCIs. The RCIs are only suitable for financially sophisticated investors who are capable of evaluating the risks involved in investing in the RCIs. See "*Risk Factors*".

In this Prospectus, all references to "U.S.\$" or "U.S. dollars" are to the lawful currency of the United States of America, references to "£", "penny", "pence" and "Sterling" are to the lawful currency of the United Kingdom and references to "€" and "euro" are to the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time.

**In connection with the issue of the RCIs, Barclays Bank PLC (the "Stabilising Manager") (or persons acting on behalf of the Stabilising Manager) may over-allot RCIs or effect transactions with a view to supporting the market price of the RCIs 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 RCIs 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 of the RCIs and 60 days after the date of the allotment of the RCIs. 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.**

## INFORMATION INCORPORATED BY REFERENCE

The following information has been filed with the FSA and shall be deemed to be incorporated in, and to form part of, this Prospectus:

- the joint Annual Report of the Issuer and the Holding Company, as filed with the U.S. Securities and Exchange Commission ("**SEC**") on Form 20-F in respect of the years ended 31 December 2006 and 31 December 2007 (the "**Joint Annual Report**"), with the exception of the information incorporated by reference in the Joint Annual Report referred to in the Exhibit Index of the Joint Annual Report, which shall not be deemed to be incorporated in this Prospectus;
- the Annual Reports of the Issuer containing the audited consolidated accounts of the Issuer in respect of the years ended 31 December 2006 (the "**2006 Issuer Annual Report**") and 31 December 2007 (the "**2007 Issuer Annual Report**"), respectively;
- the unaudited Interim Results Announcement of the Holding Company as filed with the SEC on Form 6-K (File No.: 001-09246; Film No.: 08997427) on 7 August 2008 in respect of the six months ended 30 June 2008 (the "**Interim Results Announcement**") and the unaudited Interim Results Announcement of the Issuer in respect of the six months ended 30 June 2008 (the "**Issuer Interim Results Announcement**");
- the announcement of the Holding Company issued on 13 October 2008 in relation to the Group's capital, dividend and current trading positions as filed with the SEC on Form 6-K on 14 October 2008 (the "**Announcement**"); and
- the capitalisation and indebtedness table of the Issuer and the Group as at 30 June 2008 as filed with the SEC on Form 6-K on 17 October 2008 (the "**Capitalisation and Indebtedness Table**").

The above documents may be inspected as described in paragraph 7 of "*General Information*".

Any information incorporated by reference into the documents set out above does not form part of this Prospectus.

The table below sets out the relevant page references for all of the information contained within the Joint Annual Report as filed on Form 20-F:

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Each of the Issuer and the Holding Company has applied International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union ("**IFRS**") in the financial statements incorporated by reference above. A summary of the significant accounting policies for each of the Issuer and the Holding Company is included in each of the Joint Annual Report, the 2006 Issuer Annual Report and the 2007 Issuer Annual Report.

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## KEY FEATURES OF THE OFFERING

The following key features section refers to certain provisions of the Terms and Conditions of the RCIs and the Trust Deed and, insofar as it relates to the Terms and Conditions of the RCIs, is qualified by the more detailed information contained elsewhere in this Prospectus. Defined terms used below have the meaning given to them in "Terms and Conditions of the RCIs" or elsewhere in this Prospectus.

<b>Issuer</b>	Barclays Bank PLC
<b>Holding Company</b>	Barclays PLC
<b>Trustee</b>	BNY Corporate Trustee Services Limited
<b>Issue size</b>	£3,000,000,000
<b>Issue Price</b>	100 per cent.
<b>Issue Date</b>	27 November 2008
<b>Yield</b>	14.04 per cent. per annum
<b>Redemption</b>	<p>The RCIs are perpetual securities and have no maturity date. However, the RCIs are redeemable in whole, but not in part, at the option of the Issuer, subject to (i) the Issuer being in compliance with its capital adequacy requirements as provided in the Capital Regulations (except to the extent that the Financial Regulator no longer so requires), (ii) the Issuer giving at least one month's (or such other period that the Financial Regulator may require) notice to the Financial Regulator (except to the extent that the Financial Regulator no longer so requires) and (iii) the Solvency Condition being met, at their principal amount together with any Outstanding Payments on 15 June 2019 or on any Coupon Payment Date thereafter. See also "<i>Redemption for taxation reasons</i>" and "<i>Redemption or substitution for regulatory reasons</i>" below.</p>
<b>Interest</b>	<p>The RCIs bear interest at a rate of 14 per cent. per annum from (and including) the Issue Date to (but excluding) 15 June 2019 and thereafter at a rate per annum reset quarterly of 13.4 per cent. per annum above the London interbank offered rate for 3-month Sterling deposits.</p>
<b>Coupon Payment Dates</b>	<p>Coupon Payments in respect of the RCIs will be payable annually in arrear on 15 June in each year from (and including) the Issue Date to (and including) 15 June 2019 and thereafter, subject to adjustment for non-business days, quarterly in arrear on 15 March, 15 June, 15 September and 15 December in each year save that the first payment will be made on 15 June 2009 in respect of the period from (and including) the Issue Date to (but excluding) 15 June 2009 and will amount to £76.71 per £1,000 principal amount of the RCIs.</p>
<b>Subordination</b>	<p>The rights and claims of the RCI Holders are subordinated to the claims of Senior Creditors. No payment of principal or interest in respect of the RCIs shall be due and payable unless the Issuer is able to make such payment and still be solvent immediately thereafter. Upon any winding-up or administration of the Issuer, each RCI Holder will rank <i>pari passu</i> with the holders of Existing TONs, Existing RCIs and of the most senior class or classes of preference shares (if any) of the Issuer then in issue and in priority to all other shareholders of the Issuer. The Issuer will not issue any securities expressed to qualify as Tier 1 Capital which would rank senior to the RCIs, unless the terms of the RCIs are amended so as to rank <i>pari</i></p>

*passu* with such securities.

**General deferral of Payments**

Subject to the restrictions described below, the Issuer may elect to defer any Coupon Payment (which term does not include principal) on the RCIs. No interest will accrue on any such deferred Coupon Payment.

Any Coupon Payment that is deferred may be satisfied at any time at the Issuer's election, *provided that* the Issuer must satisfy such Deferred Payment on the earlier of (i) the date of redemption or substitution of the RCIs and (ii) the Coupon Payment Date falling on or nearest to the tenth anniversary of the date of deferral of such Payment.

**Restrictions during period of deferral**

If the Issuer defers a Coupon Payment for any reason as described above, then (i) neither the Issuer nor the Holding Company may (a) pay a dividend (other than a final dividend declared by the Shareholders of the Holding Company before such Coupon Payment is so deferred) on any of their respective ordinary shares, preference shares or securities, or satisfy any payments in respect of interest on any Existing RCI, in each case ranking, as to the right of payment of dividend, distributions or coupons, *pari passu* with or junior to the RCIs (other than ordinary shares, preference shares or other securities of the Issuer held by the Holding Company or a wholly-owned Subsidiary) or (b) redeem, purchase, reduce or otherwise acquire any of the share capital or any securities of any of the Issuer, the Holding Company or any securities of any of their respective subsidiary undertakings benefiting from a guarantee from the Issuer or the Holding Company ranking, as to the right of repayment of principal, *pari passu* with or junior to the RCIs (other than ordinary shares, preference shares or other securities of the Issuer held by the Holding Company or a wholly-owned Subsidiary), in either case until the Issuer next makes a Coupon Payment or until the date on which the RCIs are redeemed in full or substituted for Qualifying Tier 1 Instruments and (ii) any such deferred Coupon Payment shall be satisfied only in accordance with the alternative coupon satisfaction mechanism, subject to the prior consent of the Financial Regulator (if such consent is required).

**Alternative coupon satisfaction mechanism**

Investors will always receive payments made in respect of RCIs in cash. However, if the Issuer defers a Payment it must, or if and to the extent the Issuer so elects at any time it may, satisfy its obligation to make any Payment (which term does not include any payment of principal) to RCI Holders by issuing its ordinary shares to the Trustee or its agent. In such event, the Trustee or its agent will exchange such ordinary shares for Ordinary Shares in the Holding Company which, when sold, will provide a cash amount which the Principal Paying Agent, on behalf of the Trustee, will pay to the RCI Holders in respect of the relevant Payment. A Calculation Agent will be appointed at such time to calculate in advance the number of Ordinary Shares to be issued in order to enable the Trustee or its agent to raise the full amount of money due on the relevant payment date to RCI Holders. The Issuer has agreed to fund any shortfall as at the relevant payment date arising on the sale of such shares through issuing additional ordinary shares as part of the operation of a similar share issue, exchange and sale mechanism to that summarised above or, if such shortfall still exists on the relevant due date and is not more than two per cent. of the relevant Payment, by payment of an amount equal to such shortfall.

<b>Pre-emption</b>	Each of the Issuer and the Holding Company is required to keep available for issue enough of its shares as it reasonably considers would be required to satisfy from time to time the next Coupon Payment (or, after the First Reset Date, the next four Coupon Payments) using the alternative coupon satisfaction mechanism described above.
<b>Market Disruption Event</b>	If, in the opinion of the Issuer, a Market Disruption Event exists on or after the 15th business day preceding any date upon which the Issuer is due to satisfy a Payment using the alternative coupon satisfaction mechanism, the Payment to RCI Holders may be deferred until the Market Disruption Event no longer exists. Any such Deferred Payments shall bear interest at the then current rate applicable to the RCIs if the Market Disruption Event continues for 14 days or more from the due date.
<b>Suspension</b>	If, following any takeover offer or any reorganisation, restructuring or scheme of arrangement, Barclays PLC (or any successor ultimate holding company of the Issuer) ceases to be the Issuer's ultimate holding company, then such changes to the documentation relating to the RCIs as determined by the Independent Investment Bank (subject to certain conditions) to be appropriate in order to preserve substantially the economic effect, for the RCI Holders, of a holding of the RCIs will be made by the Issuer and the Trustee, and pending such changes, the Issuer will not satisfy payments using the alternative coupon satisfaction mechanism. If the Independent Investment Bank is unable to determine appropriate amendments, as notified to the Issuer and the Trustee, each RCI will (after the receipt of the consent of the Financial Regulator (if such consent is required) be redeemed at the Suspension Redemption Price together with interest accrued to the date of redemption and any unsatisfied Outstanding Payments.
<b>Additional amounts</b>	The Issuer will pay additional amounts to RCI Holders to gross up payments upon the imposition of UK withholding tax, subject to customary exceptions.
<b>Redemption for taxation reasons</b>	<p>The Issuer may, subject to giving one month's (or such other period that the Financial Regulator may require) prior written notice to the Financial Regulator, and in the case of any redemption prior to 15 June 2019, (i) receiving the prior consent of the Financial Regulator and (ii) satisfying the requirement that the circumstance that entitles the Issuer to exercise its right of redemption is a change of law or regulation in the United Kingdom or a change in the interpretation of such law or regulation by any court or authority entitled to do so, which change becomes, or would become, effective on or after 31 October 2008 (a "<b>Change of Law</b>") (except, in each case, to the extent that the Financial Regulator no longer so requires), redeem all, but not some only, of the RCIs at their principal amount together with any Outstanding Payments on any Coupon Payment Date in the event that, for reasons outside its control, it is required to pay additional amounts in respect of United Kingdom withholding taxation, <i>provided that</i> the Solvency Condition is met.</p> <p>Upon the occurrence of certain other changes in the treatment of the RCIs for taxation purposes, the Issuer may, subject to giving one month's (or such other period that the Financial Regulator may require) prior written notice to, and in the case of any redemption prior to 15 June 2019, (i) receiving the prior consent of the Financial Regulator and (ii) satisfying the requirement that the circumstance that entitles the Issuer to exercise its right of redemption is a Change</p>

of Law (except, in each case, to the extent that the Financial Regulator no longer so requires), and *provided that* the Solvency Condition is met, redeem all, but not some only, of the RCIs at their principal amount together with any Outstanding Payments on any Coupon Payment Date.

**Redemption or substitution for regulatory capital reasons**

On issue, the RCIs will qualify as Tier 1 Capital for the purposes of the Financial Regulator's capital adequacy regulations. If at any time the RCIs cease to be eligible to qualify as Tier 1 Capital, the Issuer may, subject to giving one month's (or such other period that the Financial Regulator may require) prior written notice to the Financial Regulator, and in the case of any redemption prior to 15 June 2019, (i) receiving the prior consent of the Financial Regulator and (ii) satisfying the requirement that the circumstance that entitles the Issuer to exercise its right of redemption is a Change of Law (except, in each case, to the extent that the Financial Regulator no longer so requires), and *provided that* the Solvency Condition is met, and in the case of any substitution for Qualifying Tier 1 Instruments, receiving the prior approval from the Financial Regulator, redeem all, but not some only, of the RCIs at their principal amount together with any Outstanding Payments on any Coupon Payment Date or substitute the RCIs in whole, but not in part, with Qualifying Tier 1 Instruments without the requirement for consent or approval of the RCI Holders or the Trustee.

**"Qualifying Tier 1 Instruments"** means instruments (whether debt securities, interests in limited partnerships or otherwise) other than ordinary shares, preference shares or other equity securities, issued directly or indirectly by the Issuer that:

- (a) have terms not materially less favourable to a holder of the RCIs (as reasonably determined by the Issuer (*provided that*, in making this determination the Issuer is not required to take into account the tax treatment of the new instrument in the hands of all or any holder, or any transfer or similar taxes that may apply on the acquisition of the new instrument), and *provided that* a certification to such effect of two Directors and an opinion to such effect of the Independent Investment Bank shall have been delivered to the Issuer prior to the issue of the relevant instruments and is so stated in the certificate) *provided that* they shall (1) rank on a winding-up at least equal to the RCIs, (2) have at least the same coupon or distribution rate or rate of return and the same coupon payment dates or dates of distribution as the RCIs but not necessarily having provisions analogous to the provisions of the alternative coupon satisfaction mechanism in "*Terms and Conditions of the RCIs — 6. Alternative Coupon Satisfaction Mechanism*", (3) have the same optional and scheduled redemption dates as the RCIs, (4) comply with the then current requirements of the FSA in relation to Tier 1 capital and (5) if not issued by the Issuer, then have the benefit of a guarantee from the Issuer which ranks equally with the RCIs on a winding-up; and
- (b) are listed on the London Stock Exchange, the Luxembourg Stock Exchange or such other stock exchange as is a recognised stock exchange for UK tax purposes.

Substitution may have tax consequences for a holder of RCIs. This may be dependent on a number of factors, including the nature and terms and conditions of the relevant Qualifying Tier 1 Instruments,

and the tax laws to which a particular RCI Holder is subject. The Issuer will not be obliged to pay and will not pay any liability of any RCI Holder to tax arising in respect of any substitution of RCIs for Qualifying Tier 1 Instruments, including in respect of any disposal or deemed disposal of the RCIs in connection with such substitution; save that the Issuer will pay or procure that the issuer of the relevant Qualifying Tier 1 Instrument will pay any UK stamp duty or stamp duty reserve tax arising on the issue thereof. Prospective holders should consult with their own tax advisor about the potential tax consequences to them of a substitution and of acquiring, holding, and disposing of Qualifying Tier 1 Instruments.

<b>Remedy for non-payment</b>	The sole remedy against the Issuer available to the Trustee or any RCI Holder for recovery of amounts owing in respect of any Payment or principal in respect of the RCIs will be the institution of proceedings for the winding-up in England of the Issuer and/or proving in such winding-up or the administration of the Issuer.
<b>Form</b>	Registered. The RCIs will be represented by interests in the Global RCI Certificate, registered in the name of, or in the name of a nominee of, a common depository for Euroclear and Clearstream, Luxembourg on or about the Issue Date. Individual RCI Certificates evidencing holdings of RCIs will only be available in certain limited circumstances. See " <i>Summary of Provisions Relating to the RCIs While in Global Form</i> ".
<b>Denomination</b>	The RCIs shall be in minimum denominations of £50,000 and integral multiples of £1,000 in excess thereof.
<b>Listing and admission to trading London</b>	Applications have been made for the RCIs to be admitted to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange's regulated market.
<b>Governing law</b>	The RCIs will be governed by English law.
<b>Manner of Offering</b>	The RCIs have not been, and will not be, registered under the Securities Act. The RCIs may not be offered, sold, transferred or delivered in the United States absent registration or an applicable exemption from registration requirements. For more information, see " <i>Subscription and Sale - Selling Restrictions - United States of America</i> ".
<b>Rating</b>	The RCIs have been assigned an A+ rating by Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. (" <b>Standard &amp; Poor's</b> "), an Aa3 rating by Moody's Investors Service, Inc. (" <b>Moody's</b> ") and an AA- rating by Fitch Ratings Limited (" <b>Fitch</b> "). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

## RISK FACTORS

*This section describes the principal risk factors associated with an investment in the RCIs. Prospective purchasers of RCIs should consider carefully all the information contained in this Prospectus, including the considerations set out below, before making any investment decision. Defined terms used herein have the meaning given to them in "Terms and Conditions of the RCIs" or elsewhere in this Prospectus.*

### **Risks relating to the RCIs**

#### *Deferral*

The Issuer may elect to defer any Payment (such term does not include principal) on the RCIs, as more particularly described in "*Terms and Conditions of the RCIs — 4. Deferrals*". Whilst any such Payment is so deferred, neither the Bank nor the Holding Company may (a) pay dividends (other than a final dividend declared by the Holding Company before deferral, or intra-group dividends) on shares or satisfy any payments of interest in respect of any Existing RCIs (as such term is defined in "*Terms and Conditions of the RCIs*"), in each case ranking, as to the right of payment of dividend, distributions or coupons, *pari passu* with or junior to the RCIs (other than shares or other securities of the Issuer held by the Holding Company or a wholly-owned subsidiary) or (b) redeem, purchase, reduce or otherwise acquire any of the share capital or any securities of any of the Issuer, the Holding Company, or any securities of any of their respective subsidiary undertakings benefiting from a guarantee from the Issuer or the Holding Company, in each case ranking, as to the right of repayment of principal, or in the case of any such guarantee, as to the payment of sums under such guarantee, *pari passu* with or junior to the RCIs (other than shares or other securities of the Issuer held by the Holding Company or a wholly-owned subsidiary). Any such Deferred Payment will not accrue any interest during the period of such deferral, save in the limited circumstances described in "*Terms and Conditions of the RCIs — 6. Alternative Coupon Satisfaction Mechanism*".

#### *Perpetual Securities*

The Bank is under no obligation to redeem the RCIs at any time (save in the particular circumstances referred to in "*Terms and Conditions of the RCIs — 8. Payments — (d) Suspension*"), and the RCI Holders have no right to call for their redemption.

#### *Subordination*

The rights and claims of the RCI Holders are subordinated to the claims of Senior Creditors. No payment of principal or interest in respect of the RCIs shall be due and payable unless the Issuer is able to make such payment and still be solvent immediately thereafter. Upon any winding-up or administration of the Issuer, each RCI Holder will rank *pari passu* with the holders of Existing TONs, Existing RCIs and of the most senior class or classes of preference shares (if any) of the Issuer then in issue and in priority to all other shareholders of the Issuer.

#### *Redemption Risk*

The RCIs may, subject, in certain circumstances, to the prior consent of the Financial Regulator, be redeemed at their principal amount together with any Outstanding Payments at the option of the Bank in the event that it is required to pay additional amounts as provided in "*Terms and Conditions of the RCIs — 11. Taxation*". In addition, upon the occurrence of certain other specified tax or regulatory events, the RCIs may be redeemed at their principal amount together with any Outstanding Payments, all as more particularly described in "*Terms and Conditions of the RCIs — 7. Redemption and Substitution*".

In addition, the RCIs are redeemable at the Bank's option in certain other circumstances and accordingly the Bank may choose to redeem the RCIs at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the RCIs.

#### *No Limitation On Issuing Securities*

Save as provided in "*Terms and Conditions of the RCIs - 2. Status and Subordination - (b) Subordination - (iv) Senior Tier 1 Securities*", there is no restriction on the amount of securities or indebtedness which the Bank may issue or incur which rank senior to or *pari passu* with the RCIs. The issue of any such securities or indebtedness may reduce the amount recoverable by RCI Holders on either a

winding-up of the Bank or the appointment of an administrator of the Bank where the administrator has given notice that he/she intends to declare and distribute a dividend and/or may increase the likelihood of a deferral of Payments under the RCIs. On 31 October 2008, the Group announced a proposal to raise more than £7 billion of additional capital from existing and new strategic and institutional investors, as more particularly described in "*The Issuer and the Group - Recent developments*".

#### *Substitution with Qualifying Tier 1 Instruments*

If the RCIs cease to be eligible to qualify as Tier 1 Capital they may, subject to prior notice to the Financial Regulator, be substituted with Qualifying Tier 1 Instruments as provided in "*Terms and Conditions of the RCIs - 7. Redemption and Substitution - (d) Redemption or Substitution for Regulatory Purposes*". Substitution with Qualifying Tier 1 Instruments may have tax consequences for a holder of RCIs. This may be dependent on a number of factors, including the nature and terms and conditions of the relevant Qualifying Tier 1 Instruments, and the tax laws to which a particular RCI Holder is subject. The Issuer will not be obliged to pay and will not pay any liability of any RCI Holder to tax arising in respect of any substitution of RCIs for Qualifying Tier 1 Instruments, including in respect of any disposal or deemed disposal of the RCIs in connection with such substitution; save that the Issuer will pay or procure that the issuer of the relevant Qualifying Tier 1 Instrument will pay any UK stamp duty or stamp duty reserve tax arising on the issue thereof. Prospective holders should consult with their own tax advisor about the potential tax consequences to them of a substitution and of acquiring, holding, and disposing of Qualifying Tier 1 Instruments.

#### *Availability of Ordinary Shares*

If the Bank is to make a Payment using the alternative coupon satisfaction mechanism and a sufficient number of ordinary shares in the Bank or Ordinary Shares in the Holding Company is not available, then the Bank's payment obligation shall be suspended to the extent of such insufficiency, and no interest on such payment obligation shall accrue, until such time as a sufficient number of shares is available to satisfy the suspended payment obligation, as more particularly described in "*Terms and Conditions of the RCIs — 6. Alternative Coupon Satisfaction Mechanism — (d) Insufficiency*". However, no event of default will have occurred or be deemed to have occurred in such circumstances.

#### *Market Disruption Event*

If, following a decision by the Bank to satisfy a Payment using the alternative coupon satisfaction mechanism, a Market Disruption Event exists, in the opinion of the Bank, the payment to RCI Holders may be deferred until the cessation of such market disruption, as more particularly described in "*Terms and Conditions of the RCIs — 6. Alternative Coupon Satisfaction Mechanism — (e) Market Disruption*". Any such Deferred Payments shall bear interest at the then-current rate applicable to the RCIs if the Market Disruption Event continues for 14 days or more.

#### *Restricted Remedy for Non-Payment*

In accordance with the Financial Regulator's requirements for subordinated capital, the sole remedy against the Bank available to the Trustee or any RCI Holder for recovery of amounts owing in respect of the RCIs or Coupons will be the institution of proceedings for the winding-up in England of the Bank and/or proving in such winding-up or the administration of the Bank.

#### *There is no active trading market for the RCIs*

The RCIs are new securities which may not be widely distributed and for which there is currently no active trading market. If the RCIs are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer.

Although applications have been made to have the RCIs admitted to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange's regulated market, there can be no assurance that an active public market for the RCIs will develop and, if such a market were to develop, that it will be sustained throughout the life of the RCIs and neither the Issuer nor the Banks are under any obligation to maintain such a market. The liquidity and the market prices for the RCIs can be expected to

vary with changes in market and economic conditions, the financial condition and prospects of the Bank and other factors that generally influence the market prices of securities.

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

#### *Business Conditions and General Economy*

The profitability of the Issuer's, the Holding Company's and the Group's businesses could be adversely affected by the worsening of general economic conditions in the United Kingdom, globally or in certain individual markets such as the United States or South Africa. Factors such as interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices could significantly affect the Group's customers activity levels and financial position. For example:

- the current economic downturn or significantly higher interest rates or continued lack of credit availability to the Group's customers could adversely affect the credit quality of the Group's on-balance sheet and off-balance sheet assets by increasing the risk that a greater number of the Group's customers would be unable to meet their obligations;
- a market downturn or worsening of the economy could cause the Group to incur further mark to market losses in its trading portfolios;
- a market downturn could reduce the fees the Group earns for managing assets. For example, a downturn in trading markets could affect the flows of assets under management; and
- a market downturn would be likely to lead to a decline in the volume of transactions that the Group executes for its customers and, therefore, lead to a decline in the income it receives from fees and commissions and interest.

#### *Current Market Volatility and Recent Market Developments*

The global financial system has been experiencing difficulties since August 2007 and the financial markets have deteriorated dramatically since the bankruptcy filing of Lehman Brothers in September 2008. Together with the significant declines in the housing markets in the United Kingdom, the United States and other countries, these events over the past two years have contributed to significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. These write-downs have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have substantially reduced, and in some cases, halted their funding to borrowers, including other financial institutions.

While the capital and credit markets have been experiencing volatility and disruption for more than 12 months, the volatility and disruption has reached unprecedented levels in recent months and there has been increasing expectations in financial markets of a global recession. These conditions have produced downward pressure on stock prices and credit capacity for certain issuers.

The resulting lack of credit, lack of confidence in the financial sector, increased volatility in the financial markets and reduced business activity could materially and adversely affect the Group's business, financial condition and results of operations.

#### *Soundness of other Financial Institutions*

The Group is exposed to many different industries and counterparties in the normal course of its business, but its exposure to counterparties in the financial services industry is particularly significant. This exposure can arise through trading, lending, deposit-taking, clearance and settlement and many other activities and relationships. These counterparties include brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these relationships expose the Group to credit risk in the event of default of a counterparty or client. In addition, the Group's credit risk may be exacerbated when the collateral it holds cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure it is due. Many of the hedging and other risk management strategies utilised by the Group also involve transactions with financial services

counterparties. The failure of these counterparties to settle or the perceived weakness of these counterparties may impair the effectiveness of the Group's hedging and other risk management strategies.

#### *Effect of Governmental Policy and Regulation*

The Group's businesses and earnings can be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the United Kingdom, the European Union ("EU"), the United States, South Africa and elsewhere. All these are subject to change, particularly in the current market environment where recent developments in the global markets have led to an increase in the involvement of various governmental and regulatory authorities in the financial sector and in the operations of financial institutions. In particular, governmental and regulatory authorities in the United Kingdom, the United States and elsewhere are implementing measures to increase regulatory control in their respective banking sectors including by imposing enhanced capital requirements or by imposing conditions on direct capital injections and funding. Any future regulatory changes may potentially restrict the Group's operations, mandate certain lending activity and impose other compliance costs. It is uncertain how the more rigorous regulatory climate will impact financial institutions including the Group.

Areas where changes could have an impact include:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which the Group operates;
- general changes in the regulatory requirements, for example, prudential rules relating to the capital adequacy framework and rules designed to promote financial stability and increase depositor protection;
- changes in competition and pricing environments, including, for example, relating to the proposed acquisition of HBOS by Lloyds TSB;
- further developments in the financial reporting environment;
- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and
- other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for the Group's products and services.

#### *Regulatory Compliance Risk*

Regulatory compliance risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial service industry. Non-compliance could lead to fines, public reprimands, damage to reputation, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate.

Details of the current regulatory proceedings in which the Group is involved are set out in "*The Issuer and the Group - Competition and regulatory matters*". It is not possible for the Group to predict what other similar regulatory proceedings may arise in the future.

Notwithstanding anything in this risk factor, this risk factor should not be taken to imply that any member of the Group will be unable to comply with its obligations as a supervised firm regulated by the FSA.

#### *Banking (Special Provisions) Act 2008*

Under the Banking (Special Provisions) Act 2008 the UK Treasury (the "**Treasury**") has been given certain powers in relation to authorised UK deposit takers (such as the Issuer). These comprise entities incorporated in or formed under the laws of any part of the United Kingdom who have permission to accept deposits under Part 4 of FSMA 2000 (or their UK subsidiaries). These powers last until 21 February 2009 and are capable of having retrospective effect. They can be exercised in certain circumstances namely: (i) to maintain the stability of the UK financial system in circumstances where the Treasury considers that there would be a serious threat to its stability; or (ii) to protect the public interest in

circumstances where financial assistance has been provided by the Treasury to the deposit taker for the purpose of maintaining the stability of the UK financial system.

The powers are wide ranging and may entail divesting the authorised UK deposit-taker of its assets or transferring ownership of any securities issued by the authorised UK deposit-taker irrespective of any encumbrance or trust over them. Accordingly the enforceability of the obligations of the Issuer could be affected if the Treasury were to exercise such powers.

If such powers were to be exercised, the Treasury is required to make provision for compensation or consideration (depending upon whether a public or private entity has acquired the asset) to be paid, in the case of securities, to the holder of the assets, which may not be the encumbrancer.

#### *Banking Bill 2008*

On 7 October 2008, the Banking Bill 2008 (the "**Bill**") was published which, if enacted, would in large part implement on a permanent basis the temporary powers granted to the Treasury under the Banking (Special Provisions) Act 2008. The Bill, if enacted, would provide the Bank of England with two stabilisation powers, in respect of UK incorporated deposit taking institutions, such as the Issuer, which are (i) private sale and (ii) transfer to a government owned "bridge bank". In addition, the Treasury would be given the power to implement the nationalisation of such institutions. It is difficult to determine the full impact of the Bill and there can be no assurance that the RCI Holders will not be adversely affected by an action taken under it once it is finalised and implemented (assuming that should occur).

#### *Financial Services Compensation Scheme*

The Financial Services Compensation Scheme (the "**FSCS**") was created under the FSMA and is the UK's statutory fund of last resort for customers of authorised financial services firms. The FSCS can pay compensation to customers if a firm is unable, or likely to be unable, to pay claims against it. The FSCS is funded by levies on authorised UK deposit takers such as the Issuer. In the event that the FSCS raises funds from the authorised firms, raises those funds more frequently or significantly increases the levies to be paid by such firms, the associated costs to the Issuer may have a material impact on the Group's results of operations and financial condition.

#### *Credit Risk*

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk may also arise where the downgrading of an entity's credit rating causes the fair value of the Group's investment in that entity to fall. The credit risk that the Group faces arises mainly from commercial and consumer loans and advances, including credit card lending.

In a recessionary environment, such as that ongoing, credit risk increases. Credit risk may also be manifested as country risk where difficulties may arise in the country in which the exposure is domiciled, thus impeding or reducing the value of the assets, or where the counterparty may be the country itself. Another form of credit risk is settlement risk, which is the possibility that the Group may pay a counterparty — for example, a bank in a foreign exchange transaction — but fail to receive the corresponding settlement in return.

#### *Market Risk*

Market risk is the risk that the Group's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. Market risk has increased due to the volatility of the current financial markets. The main market risk arises from trading activities. The Group is also exposed to interest rate risk in the banking book and market risk in the pension fund.

#### *Operational Risk*

Operational risk is the risk of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems. Operational risks are inherent in the Group's operations and are typical of any large enterprise. Major sources of operational risk include operational process reliability, IT security, outsourcing of operations, dependence on key suppliers, implementation of

strategic change, integration of acquisitions, fraud, human error, customer service quality, regulatory compliance, recruitment, training and retention of staff, and social and environmental impacts.

Notwithstanding anything in this risk factor, this risk factor should not be taken to imply that the Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List or that any member of the Group will be unable to comply with its obligations as a supervised firm regulated by the FSA.

#### *Capital Risk*

Capital risk is the risk that the Group has insufficient capital resources to:

- meet minimum regulatory capital requirements in the UK and in other jurisdictions such as the United States and South Africa where regulated activities are undertaken. The Group's authority to operate as a bank is dependent upon the maintenance of adequate capital resources;
- support its credit rating. In addition to capital resources, the Group's rating is supported by a diverse portfolio of activities, an increasingly international presence, consistent profit performance, prudent risk management and a focus on value creation. A weaker credit rating would increase the Group's cost of funds; and
- support its growth and strategic options.

During periods of market dislocation increasing the Group's capital resources may prove more difficult or costly. Regulators have also recently increased the Group's capital targets and amended the way in which capital targets are calculated and may further do so in future. This would constrain the Group's planned activities and contribute to adverse impacts on the Group's earnings.

#### *Liquidity Risk*

This is the risk that the Group is unable to meet its obligations when they fall due and to replace funds when they are withdrawn, with consequent failure to repay depositors and fulfil commitments to lend. The risk that it will be unable to do so is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

The Issuer's, the Holding Company's and the Group's liquidity risk management has several components:

- intra-day monitoring to maintain sufficient liquidity to meet all settlement obligations;
- mismatch limits to control expected cashflows and maturing liabilities;
- monitoring of undrawn lending commitments, overdrafts and contingent liabilities; and
- diversification of liquidity sources by geography and provider.

During periods of market dislocation, such as those currently ongoing, the Issuer's, the Holding Company's and the Group's ability to manage liquidity requirements may be impacted by a reduction in the availability of wholesale term funding for market participants, as well as an increase in the cost of raising wholesale funds.

#### *Fair Value Accounting and Use of Estimates*

Some of the Group's financial instruments are carried at fair value through profit or loss such as those held for trading, designated by management under the fair value option and non-cash flow hedging derivatives. To establish the fair value of these instruments, each of the Issuer, the Holding Company and the Group relies on quoted market prices in active markets or, where the market for a financial instrument is not sufficiently active, valuation techniques that utilise, wherever possible, observable market inputs. Observable inputs for such valuation models may have become unavailable due to the disappearance over the past months of active markets for certain instruments.

To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be subjective, dependant on the significance of the unobservable input to the overall valuation. Unobservable inputs are determined based on the best information available, for example by reference to similar assets, similar maturities, appropriate proxies, or other analytical techniques. The effect of changing the assumptions for those financial instruments for which the fair values are measured using valuation techniques that are determined in full or in part on assumptions that are not supported by observable inputs may have a material adverse effect on the Group's earnings.

Financial institutions may use different accounting categorisations for the same or similar financial assets due to their different intentions regarding those assets. In determining fair value of financial instruments, different financial institutions may use different valuation techniques, assumptions, judgements and estimates which may result in lower or higher fair values for such financial instruments.

#### *Credit Market Exposures*

The Issuer's, the Holding Company's and the Group's future earnings could be affected by depressed asset valuations resulting from a deterioration in market conditions. Financial markets are sometimes subject to stress conditions where steep falls in asset values can occur, as demonstrated by recent events affecting asset-backed CDOs and the US sub-prime residential mortgage market and which may occur in other asset classes during an economic downturn. Severe market events are difficult to predict and, if they continue to occur, could result in the Issuer and the Group incurring additional losses.

In 2007 and in 2008, the Group has recorded material net losses on certain credit market exposures, including ABS CDO Super Senior exposures. As market conditions change, the fair value of these exposures could fall further and result in additional losses or impairment charges, which could have a material adverse effect on the Group's earnings. Such losses or impairment charges could derive from: a decline in the value of exposures; a decline in the ability of counterparties, including monoline insurers, to meet their obligations as they fall due; or the ineffectiveness of hedging and other risk management strategies in circumstances of severe stress.

Any value ultimately realised by the Group on sale of an asset will depend on the prices achievable in the market following the decision to sell which may be higher or lower than the asset's current estimated value. If there is a shortfall between the proceeds obtained on disposal and the carrying value of the asset on the balance sheet there would be an adverse effect on the Group's earnings.

#### *Assets Originated for Resale or Securitisation*

In illiquid markets, the Group may decide to hold assets rather than securitising, syndicating or disposing of them. This could restrict the Group's ability to enter into subsequent lending or other transactions as a result of the effect on capital adequacy ratios, which could have an adverse effect on the Group's ability to expand its earnings and operations.

#### *Business Risk*

Business risk is the risk of adverse outcomes resulting from a weak competitive position or from poor choice of strategy, markets, products, activities or structures. Major potential sources of business risk include revenue volatility due to factors such as macroeconomic conditions, inflexible cost structures, uncompetitive products or pricing and structural inefficiencies.

#### *Insurance Risk*

Insurance risk is the risk that the Group will have to make higher than anticipated payments to settle claims arising from its long-term and short-term insurance businesses.

#### *Legal Risk*

The Group is subject to a comprehensive range of legal obligations in all countries in which it operates. As a result, the Group is exposed to many forms of legal risk, which may arise in a number of ways. Primarily:

- the Group's business may not be conducted in accordance with applicable laws around the world;

- contractual obligations may either not be enforceable as intended or may be enforced against the Group in an adverse way;
- the intellectual property of the Group (such as its trade names) may not be adequately protected; and
- the Group may be liable for damages to third parties harmed by the conduct of its business.

The Group faces risk where legal proceedings are brought against it. Regardless of whether such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in financial loss. Defending legal proceedings can be expensive and time-consuming and there is no guarantee that all costs incurred will be recovered even if the Group is successful. Although the Group has processes and controls to manage legal risks, failure to manage these risks could impact the Group adversely, both financially and by reputation.

#### *Tax Risk*

The Group is subject to the tax laws in all countries in which it operates. A number of double taxation agreements entered between two countries also impact on the taxation of the Group. The Group is also subject to European Community tax law. Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to an additional tax charge. It could also lead to a financial penalty for failure to comply with required tax procedures or other aspects of tax law.

If, as a result of a particular tax risk materialising, the tax costs associated with particular transactions are greater than anticipated, it could affect the profitability of those transactions.

The Group takes a responsible and transparent approach to the management and control of its tax affairs and related tax risk:

- tax risks are assessed as part of the Group's formal governance processes and are reviewed by the Executive Committee, Group Finance Director and the Board Risk Committee;
- the tax charge is also reviewed by the Board Audit Committee;
- the tax risks of proposed transactions or new areas of business are fully considered before proceeding;
- the Group takes appropriate advice from reputable professional firms;
- the Group employs high-quality tax professionals and provides ongoing technical training;
- the tax professionals understand and work closely with the different areas of the business;
- the Group uses effective, well-documented and controlled processes to ensure compliance with tax disclosure and filing obligations; and
- where disputes arise with tax authorities with regard to the interpretation and application of tax law, the Group is committed to addressing the matter promptly and resolving the matter with the tax authority in an open and constructive manner.

#### *Impact of Strategic Decisions taken by the Group*

The Group devotes substantial management and planning resources to the development of strategic plans for organic growth and identification of possible acquisitions, supported by substantial expenditure to generate growth in customer business. If these strategic plans do not deliver as anticipated, the Group's earnings could grow more slowly or decline.

### *Competition*

The global financial services markets in which the Group operates are highly competitive. Innovative competition for corporate, institutional and retail clients and customers comes both from incumbent players and a steady stream of new market entrants, as well as recent consolidation among banking institutions in the United Kingdom, the United States and throughout Europe. The landscape is expected to remain highly competitive in all areas, which could adversely affect the Group's profitability if the Group fails to retain and attract clients and customers.

## TERMS AND CONDITIONS OF THE RCIs

*The following are the terms and conditions of the RCIs substantially as they will appear in the trust deed constituting the RCIs.*

*The following, subject to alteration and except for paragraphs in italics, are the terms and conditions of the RCIs which will be endorsed on each RCI in definitive form (if issued).*

The RCIs are constituted by the Trust Deed. The issue of the RCIs was authorised pursuant to resolutions of the Board of Directors of the Issuer passed on 27 October 2008 and written resolutions of the Fund Raising Committee of the Board of Directors of the Issuer of 21 November 2008. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed and the Paying Agency Agreement are available for inspection during normal business hours by the RCI Holders at the principal office of the Trustee, being at the date hereof at One Canada Square, London E14 5AL, and at the specified office of each of the Paying Agents. The RCI Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and of the Paying Agency Agreement applicable to them.

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

#### (a) *Form and Denomination*

The RCIs are in registered form in the Authorised Denominations.

#### (b) *Title*

Title to the RCIs will pass by registration in the Register to be kept by the Registrar. Each RCI Holder will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or its theft or loss or anything written on the Individual RCI Certificate relating thereto) and no person will be liable for so treating the RCI Holder. The Issuer will cause to be kept at the specified offices of the Registrar and in accordance with the terms of the Paying Agency Agreement a Register on which shall be entered the names and addresses of the RCI Holders and the particulars of the RCIs held by them and of all transfers and redemptions of RCIs. Each RCI Holder shall be entitled to receive only one Individual RCI Certificate in respect of its entire holding. Each Individual RCI Certificate will be numbered serially with an identifying number which will be recorded in the Register.

#### (c) *Transfer of RCIs*

Subject to the terms of the Paying Agency Agreement and to Conditions 1(f) and 1(g), an RCI may be transferred in an Authorised Denomination upon the surrender of the Individual RCI Certificate, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or the specified office of any other Transfer Agent. In the case of a transfer where not all of the RCIs evidenced by the surrendered Individual RCI Certificate are the subject of the transfer, a new Individual RCI Certificate in respect of the balance not transferred will be issued to the transferor. No transfer of an RCI will be valid unless and until entered on the Register.

#### (d) *Delivery of new Individual RCI Certificates*

Each new Individual RCI Certificate to be issued upon transfer of an RCI will, within three business days of receipt of such form of transfer, be available for delivery at the specified office of the Transfer Agent stipulated in the form of transfer, or be mailed at the risk of the holder entitled to the RCI to such address as may be specified in such form of transfer.

#### (e) *Formalities free of charge*

The transfer of an RCI will be effected without charge by or on behalf of the Issuer or the Transfer Agents, but only upon payment (or the giving of such indemnity as the Issuer or

the relevant Transfer Agent may require in respect) of any tax or other governmental charges which may be imposed in relation to such transfer.

(f) *Closed Periods*

No RCI Holder may require the transfer of an RCI to be registered during the period of 15 days ending on (and including) the due date for any payment of principal of that RCI or seven days ending on (and including) any Record Date in respect of a Coupon Payment Date.

(g) *Regulations*

All transfers of RCIs and entries on the Register will be made subject to the regulations concerning transfer of RCIs scheduled to the Paying Agency Agreement.

2. **Status and Subordination**

(a) *Status*

The RCIs constitute direct, unsecured, subordinated securities of the Issuer and rank *pari passu* without any preference among themselves.

(b) *Subordination*

(i) *Condition of Payment:* The rights and claims of the RCI Holders are subordinated to the claims of Senior Creditors, in that payments in respect of the RCIs (including amounts to be funded through the issue of Issuer Shares in accordance with Condition 6 (*Alternative Coupon Satisfaction Mechanism*)) are conditional upon the Issuer being solvent at the time of payment by the Issuer (or at the time of issue of such Issuer Shares by the Issuer) and in that no principal or Payments shall be due and payable in respect of the RCIs (including amounts to be funded through the issue of Issuer Shares in accordance with Condition 6 (*Alternative Coupon Satisfaction Mechanism*)) except to the extent that the Issuer could make such payment (or issue such Issuer Shares) and still be solvent immediately thereafter. In these Terms and Conditions 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 Auditors have reported to the Trustee within the previous six months that the Solvency Condition has been met.

(ii) *Solvency Claims:* Amounts representing any payments of principal or interest in respect of which the conditions referred to in Condition 2(b)(i) are not satisfied on the date upon which the same would otherwise be due and payable ("**Solvency Claims**") will be payable by the Issuer in a winding-up of the Issuer, or in an administration of the Issuer following notice by the administrator that he/she intends to declare and distribute a dividend, as provided in Condition 3 (*Winding-up and Administration*) and on any redemption or substitution (subject to Condition 2(b)(i)) pursuant to Conditions 7(b), 7(c), 7(d) or 8(d), *provided that* in the event that, prior to any winding-up or administration of the Issuer, the Issuer shall again be solvent and would be solvent immediately after the making of such payment of Solvency Claims, then the Issuer shall promptly notify the Trustee, the RCI Holders, the Principal Paying Agent and the Calculation Agent (if any) of such fact and the Solvency Claims shall, subject to Condition 2(b)(i), be due and payable on the 16th business day after the Issuer shall have given such notice. A Solvency Claim shall not bear interest unless the Issuer shall be solvent once again, in which case interest shall accrue on any such Solvency Claim from (and including) the date on which the Issuer is so solvent again to (but excluding) the date on which such Solvency Claim is paid. Any such interest shall accrue at a rate equal to the then applicable Coupon Rate determined in accordance with Condition 5 (*Coupon Payments*) and shall be satisfied only through the issue of Issuer Shares in accordance with Condition 6 (*Alternative Coupon Satisfaction*

*Mechanism*), on the date on which the related Solvency Claim is paid. In the event that the Issuer shall be so solvent once again, the Issuer may not pay a dividend (other than a dividend paid by the Issuer to the Holding Company or to a wholly-owned Subsidiary) from the date that the Issuer is so solvent again until the date on which the Solvency Claim and any relevant interest on the Solvency Claim is paid.

- (iii) *Set-off*: Subject to applicable law, no RCI 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 RCIs and each RCI Holder shall, by virtue of his holding of any RCI, be deemed to have waived all such rights of set-off, compensation or retention.

For the avoidance of doubt, if the Issuer would otherwise not be solvent for the purposes of the above, any sums which would otherwise be payable in respect of the RCIs will be available to be put towards the losses of the Issuer.

- (iv) *Senior Tier 1 Securities*: So long as any of the RCIs remain outstanding (as defined in the Trust Deed), the Issuer will not issue any preference shares or other securities (regardless of name or designation) or create any guarantee of, or provide any contractual support arrangement in respect of, the obligations of the Holding Company or any other entity which in each case constitutes (whether on a solo, or a solo-consolidated or a consolidated basis) issued Tier 1 Capital of the Issuer if such preference shares, securities, guarantee or contractual support arrangement would rank (as regards distributions on a return of assets on a winding-up or in respect of distribution or payment of dividends and/or any other amounts thereunder) senior to the RCIs. This prohibition will not apply if at the same time or prior thereto (x) the Trust Deed and the terms and conditions of the RCIs are amended to ensure that the RCI Holders and the Trustee obtain and/or (y) the RCIs, the Coupons and the Issuer's obligations under the RCIs, the Coupons and the Trust Deed have the benefit of, such of those rights and entitlements as are contained in or attached to such preference shares or other securities or under such guarantee or contractual support arrangement as are required so as to ensure that the RCIs rank *pari passu* with, and contain substantially equivalent rights of priority as to distributions or payments on, such preference shares or other securities or under such other guarantee or contractual support arrangement to the satisfaction of the Trustee in its absolute discretion or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed). The Trustee shall not be obliged to agree to any amendment which, in the sole opinion of the Trustee, would have the effect of (a) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (b) increasing the obligations or duties, or decreasing the protections, of the Trustee under the Trust Deed and the terms and conditions of the RCIs.

### 3. **Winding-up and Administration**

If at any time 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 reconstruction, amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer (as defined in the Trust Deed), the terms of which reconstruction, amalgamation or substitution have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as described in the Trust Deed)), or if, following the appointment of an administrator of the Issuer, the administrator gives notice that he/she intends to declare and distribute a dividend, there shall be payable by the Issuer in respect of each RCI (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to an RCI Holder if, on the day prior to the commencement of the winding-up or such administration and thereafter, such RCI Holder were the holder of one of a 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 and so ranking *pari passu* with the holders of Existing RCIs, Existing TONs and with the holders of that class or classes of preference shares (if any) from time to time issued by the Issuer which have a preferential right to a return of assets in the winding-up or such administration, and so rank 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 junior to any notional class of preference shares in the capital of the Issuer by reference to which the amount payable in respect of any Junior Subordinated Debt in a winding-up or such administration of the Issuer is determined and senior to all other classes of issued shares (save as aforesaid) for the time being in the capital of the Issuer, on the assumption that the amount that such RCI Holder was entitled to receive in respect of such preference share, on a return of assets in such winding-up or such administration, were an amount equal to the principal amount of the relevant RCI and any other Payments which are Outstanding together with, to the extent not otherwise included within the foregoing, its *pro rata* share of any Solvency Claims.

#### 4. **Deferrals**

- (a) The Issuer must make each Coupon Payment on the relevant Coupon Payment Date subject to and in accordance with these Terms and Conditions. However, the Issuer may, in respect of any Coupon Payment which would, in the absence of deferral in accordance with this Condition 4, be due and payable, defer such Coupon Payment by giving a notice (a "**General Deferral Notice**") to the Trustee, the Principal Paying Agent, the Calculation Agent (if any) and the RCI Holders not less than 16 business days prior to the relevant due date (the "**Deferral Date**"). The Issuer may then satisfy any such Deferred Payment at any time, *provided that* (1) the Issuer must satisfy such Deferred Payment on the earlier of (i) the date of redemption of the RCIs, (ii) the date of substitution of the RCIs in accordance with Condition 7(d) and (iii) subject to the provisions in Condition 10 (*Non-Payment when Due*), the Coupon Payment Date falling on or nearest to the 10th anniversary of the related Deferral Date, (2) such Deferred Payment may only be satisfied through the issue of Issuer Shares in the manner set out in Condition 6 (*Alternative Coupon Satisfaction Mechanism*), upon delivery of a notice to the Trustee, the Principal Paying Agent, the Calculation Agent and the RCI Holders not less than 16 business days prior to the relevant Coupon Satisfaction Date and (3) any such satisfaction of a Deferred Payment shall be subject to the prior consent of the Financial Regulator (if such consent is required). No amount will be payable by way of interest on any such Deferred Payment, save as provided in Condition 6(e).
- (b) If the Issuer has given a General Deferral Notice, then from the date of such notice until the earlier of (i) the date on which the Issuer next makes a Coupon Payment and (ii) the date on which the RCIs are redeemed in full or substituted for Qualifying Tier 1 Instruments, in each case in accordance with these Terms and Conditions, neither the Issuer nor the Holding Company, respectively, may (a) pay a dividend (other than a final dividend declared by the Shareholders of the Holding Company before such Coupon Payment is so deferred) on any of their respective ordinary shares, preference shares or securities, or satisfy any payments of interest in respect of any Existing RCIs, in each case ranking, as to the right of payment of dividend, distributions or coupons, *pari passu* with or junior to the RCIs (other than ordinary shares, preference shares or other securities of the Issuer held by the Holding Company or a wholly-owned Subsidiary) or (b) redeem, purchase, reduce or otherwise acquire any of the share capital or any securities of any of the Issuer, the Holding Company or any securities of any of their respective subsidiary undertakings benefiting from a guarantee from the Issuer or the Holding Company, in each such case ranking, as to the right of repayment of principal, or in the case of any such guarantee, as to the payment of sums under such guarantee, *pari passu* with or junior to the RCIs (other than ordinary shares, preference shares or other securities of the Issuer held by the Holding Company or a wholly-owned Subsidiary).
- (c) Notwithstanding the Issuer's general discretion not to make Coupon Payments as set out above, if on any Coupon Payment Date (i) the RCIs have ceased to be eligible to qualify as a regulatory capital resource for the Issuer and (ii) the Issuer is in compliance with its Applicable Regulatory Capital Requirements, the Issuer shall (subject to the Issuer having available resources) be obliged to pay the Coupon Payment on such Coupon Payment Date and the Issuer may not exercise its discretion to not pay a Coupon Payment.

5. **Coupon Payments**

(a) *Coupon Payment Dates*

The RCIs bear interest at the Coupon Rate from (and including) the Issue Date and the amount of such interest will (subject to Conditions 2(b)(i), 4, 6(d), 6(e) and 8(d)) be payable on each Coupon Payment Date. Each RCI will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest in accordance with this Condition (both before and after judgment) as provided in the Trust Deed.

(b) *Coupon Rate*

(i) The Coupon Rate in respect of the period from (and including) the Issue Date to (but excluding) the First Reset Date is 14 per cent. per annum.

(ii) The Coupon Rate in respect of each Reset Period shall be the aggregate of 13.4 per cent. per annum and:

(aa) the offered rate (rounded, if necessary, up to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) for three-month deposits in Sterling as at 11.00 a.m. (London time) on the Coupon Determination Date in question as appears on the display designated as Reuters Screen Page LIBOR01 (or such other page or service as may replace it for the purpose of displaying such information) as determined by the Principal Paying Agent; or

(bb) if such offered rate does not appear, the arithmetic mean (rounded, if necessary, up to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of offered quotations to prime banks in the London interbank market for three-month deposits in Sterling as at 11.00 a.m. (London time) on the Coupon Determination Date in question obtained by the Principal Paying Agent from the principal London office of the Reference Banks, *provided that* at least two of the Reference Banks provide the Principal Paying Agent with such offered quotations; and

(cc) if, on any Coupon Determination Date to which the provisions of sub-paragraph (bb) above apply, one only or none of the Reference Banks provides the Principal Paying Agent with such a quotation, the arithmetic mean (rounded, if necessary, up to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of the Sterling lending rates which major banks in the London interbank market selected by the Principal Paying Agent are quoting at approximately 11.00 a.m. (London time) on the relevant Coupon Determination Date to leading banks in London for a period of three months,

except that, if the banks so selected by the Principal Paying Agent under sub-paragraph (cc) above are not quoting as mentioned above, the Coupon Rate shall be either (i) the Coupon Rate in effect for the last preceding Coupon Period to which one of the preceding sub-paragraphs of this paragraph shall have applied or (ii) if none, 15 per cent. per annum.

(c) *Determination and Publication of Coupon Rate and Coupon Amount*

The Principal Paying Agent will, upon determining the Coupon Rate pursuant to Condition 5(b)(ii), calculate the Coupon Amount in respect of each £1,000 principal amount of the RCIs and cause the Coupon Rate and each Coupon Amount payable in respect of a Coupon Period to be notified to the Trustee, the Issuer, the Paying Agent and any stock exchange on which the RCIs are for the time being listed and to be notified to

the RCI Holders as soon as possible after their determination but in no event later than the fourth business day thereafter.

The Coupon Amount payable on the first Coupon Payment Date shall be £76.71 in respect of each £1,000 principal amount of the RCIs. Each Coupon Amount in respect of any Coupon Period ending on or before the First Reset Date shall be £140 in respect of £1,000 principal amount of the RCIs. If interest is required to be paid in respect of the RCIs on any other date, it shall be calculated by applying the Coupon Rate to the principal amount of the relevant RCI multiplying the result by the relevant Day Count Fraction and the resulting figure rounded to the nearest penny (half a penny being rounded up).

Each Coupon Amount in respect of any Coupon Period commencing on or after the First Reset Date shall be calculated by applying the Coupon Rate to the principal amount of the relevant RCI and multiplying the result by the relevant Day Count Fraction and rounding the resulting figure to the nearest penny (half a penny being rounded up).

(d) *Determination or Calculation by Trustee*

If the Principal Paying Agent does not at any time for any reason so determine the Coupon Rate or calculate each Coupon Amount in accordance with Condition 5(b)(ii) and 5(c) the Trustee or an agent on its behalf shall do so and such determination or calculation shall be deemed to have been made by the Principal Paying Agent. In doing so, the Trustee or its agent shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it or its agent 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. All determinations or calculations made or obtained for the purposes of the provisions of this Condition by the Trustee or its agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Paying Agents, the Registrar and the Transfer Agents and all RCI Holders and (in the absence of wilful default or bad faith) no liability to the Issuer or the RCI Holders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(e) *Reference Banks*

Unless the RCIs are to be redeemed on the First Reset Date, the Issuer will (with the prior written approval of the Trustee) not later than 20 business days before the First Reset Date appoint four leading financial institutions engaged in the London interbank market to act as Reference Banks and will procure that, so long as any RCI is outstanding, there shall thereafter at all times be four Reference Banks. If any such institution (acting through its relevant office) is unable to continue to act as a Reference Bank, the Issuer shall (with the prior written approval of the Trustee) appoint some other leading financial institution engaged in the London interbank market (acting through its London office) to act as such in its place.

6. **Alternative Coupon Satisfaction Mechanism**

(a) *Alternative Coupon Satisfaction Mechanism*

Subject to Conditions 2(b), 4(a) and 6(e), the Issuer may elect to satisfy any Payment in full or in part through the issue of Issuer Shares to the Trustee in accordance with this Condition 6, in which case it shall notify the Holding Company, the Trustee, the Principal Paying Agent and the Calculation Agent not less than 16 business days prior to the relevant date. In the absence of, or save to the extent of, such election and issue, subject to Condition 4 (*Deferrals*), Payments must be satisfied in accordance with Condition 8(a).

In the case of satisfaction of a Payment in part, the amount payable in respect of each RCI to which such Payment relates shall be reduced on a *pro rata* basis by the amount of such part payment made.

(b) *Issue of shares*

If any Payment is to be satisfied in full or in part through the issue of Issuer Shares to the Trustee then, subject to Conditions 6(d) and 6(e):

- (i) by close of business on or before the 11th business day prior to the relevant Coupon Payment Date or Coupon Satisfaction Date the Issuer will issue to the Trustee (or, if so agreed between the Issuer and the Trustee, to an agent of the Trustee) such number of Issuer Shares (the "**Payment Issuer Shares**") as, in the determination of the Holding Company will have a market value of not less than the relevant Payment (or, as the case may be, part thereof) to be satisfied in accordance with this Condition 6;
- (ii) by close of business on or before the 7th business day prior to the relevant Coupon Payment Date or Coupon Satisfaction Date the Trustee will transfer or instruct its agent to transfer the Payment Issuer Shares to the Holding Company in consideration for which the Holding Company will issue to the Trustee (or, if so agreed between the Issuer and the Trustee, to an agent of the Trustee) such number of Ordinary Shares (the "**Payment Ordinary Shares**") as, in the determination of the Calculation Agent, have a market value of not less than the relevant Payment to be satisfied in accordance with this Condition 6;
- (iii) the Trustee will use reasonable endeavours to effect the transfer or procure that its agent effects the transfer of such Payment Ordinary Shares to or to the order of the Calculation Agent (subject to any necessary consents being obtained) as soon as practicable and in any case not later than by close of business on the 6th business day prior to the date on which the relevant Payment is due, and the Calculation Agent shall be required to agree in the Calculation Agency Agreement to use reasonable endeavours to procure purchasers for such Payment Ordinary Shares. The Calculation Agent shall further be required to agree in the Calculation Agency Agreement to exchange, as agent of the Trustee, the proceeds of such sale (where necessary) into Sterling at prevailing market exchange rates and deliver such exchanged proceeds to, or hold such exchanged proceeds to the order of, the Trustee, who shall pay or procure that its agent pays such proceeds as it holds in respect of the relevant Payment (or, as the case may be, part thereof) on its due date in accordance with Condition 6(c); and
- (iv) if, after the operation of the above procedures there would, in the opinion of the Calculation Agent, be a shortfall on the date on which the relevant Payment is due, the Issuer and the Holding Company shall issue and/or sell (as the case may be) further Issuer Shares and Ordinary Shares in accordance with the provisions of the Trust Deed to ensure that a sum at least equal to the relevant Payment is available to make the Payment in full on the relevant due date, *provided that* if, despite the operation of the aforementioned provisions, such a shortfall still exists on the relevant due date the Issuer may in accordance with the provisions of the Trust Deed either pay an amount equal to such shortfall as soon as practicable to the Trustee (*provided that* such shortfall is not more than two per cent. of the relevant Payment) or continue, together with the Holding Company, to issue and/or sell Issuer Shares and Ordinary Shares until the Trustee shall have received funds equal to the full amount of such shortfall.

(c) *Issue satisfies payment*

Where the Issuer either elects or is required to make a Payment in full or in part hereunder by issuing Issuer Shares to the Trustee and issues such shares in accordance with this Condition 6, the issue of such Issuer Shares shall release and discharge the Issuer in full or in part from the requirement to satisfy the relevant Payment or, as the case may be, in the circumstances referred to in (d) below, the relevant part of such Payment if the issue of such Issuer Shares is made in accordance with this Condition 6. The proceeds of sale of Payment Ordinary Shares resulting from the mandatory exchange of Payment Issuer

Shares in accordance with this Condition 6 shall be paid by the Trustee or its agent to the RCI Holders in respect of the relevant Payment.

(d) *Insufficiency*

Where the Issuer either elects or is required to make a Payment in full or in part hereunder by issuing Issuer Shares to the Trustee in accordance with this Condition 6 and either the Issuer or the Holding Company does not, on the date when the number of such shares required to be issued is determined in accordance with this Condition 6, have sufficient number of, respectively, Issuer Shares or Ordinary Shares available for issue, then the Issuer or, as the case may be, the Holding Company shall notify the Issuer or the Holding Company, as the case may be, and the Trustee, the Principal Paying Agent, the Calculation Agent and the RCI Holders that all or part, as the case may be, of the relevant Payment cannot be so satisfied due to the events described in this paragraph, in which case the same shall be satisfied following the date of the next annual general meeting or extraordinary general meeting of shareholders of the Issuer or, as the case may be, the Holding Company at which a resolution is passed authorising a sufficient number of Issuer Shares or Ordinary Shares to be issued to satisfy all or such part of the relevant Payment, *provided that* if the number of Issuer Shares or Ordinary Shares authorised to be issued at any such meeting is insufficient to satisfy all or such part of the relevant Payment then those Issuer Shares or Ordinary Shares, as the case may be, so authorised to be issued shall be applied by the Issuer in part satisfaction of all or such part of the relevant Payment. Following the passing of such resolution, the Issuer shall notify the Trustee, the Principal Paying Agent, the Calculation Agent and the RCI Holders of the date upon which the relevant Payment or, as the case may be, the part thereof is to be made in accordance herewith on not less than 16 business days' notice. The relevant Payment or, as the case may be, the part thereof which is not so satisfied shall accrue interest at the then applicable Coupon Rate from (and including) the date on which Payment would otherwise have been due to (but excluding) the date on which such Payment or part thereof is satisfied. If, in the case of an insufficiency of Issuer Shares, the Issuer does not hold an annual or extraordinary general meeting at which a resolution to make a sufficient number of Issuer Shares so available is passed within six weeks of giving the above first-mentioned notice, the Trustee shall by notice require the Issuer to convene an extraordinary general meeting at which such a resolution shall be proposed on a date falling within four weeks of such notice from the Trustee. If, in the case of an insufficiency of Ordinary Shares, the Holding Company does not hold an annual general meeting within 12 months of giving the above first-mentioned notice, at which a resolution to make a sufficient number of Ordinary Shares so available is proposed, the Trustee shall by notice require the Holding Company to convene an extraordinary general meeting at which such a resolution shall be proposed on a date falling within 10 weeks of such notice from the Trustee. In the event that any such resolution proposed at any such annual general meeting or extraordinary general meeting is rejected, such resolution will then be proposed at the next following annual general meeting of the Issuer or, as the case may be, the Holding Company and, if at such annual general meeting such proposal is rejected again, from the date of such second rejection until such time as such resolution has been passed by the shareholders of the relevant company, neither the Issuer nor the Holding Company, respectively, may (a) pay a dividend (other than a final dividend declared by the Shareholders of the Holding Company before such second rejection) on any of their respective ordinary shares, preference shares or securities, in each case ranking, as to the right of payment of dividend, distributions or coupons, junior to the RCIs (other than ordinary shares, preference shares or other securities of the Issuer held by the Holding Company or a wholly-owned Subsidiary) or (b) redeem, purchase, reduce or otherwise acquire any of the share capital or any securities of any of the Issuer, the Holding Company or any securities of any of their respective subsidiary undertakings benefiting from a guarantee from the Issuer or the Holding Company in each such case ranking, as to the right of repayment of principal, or in the case of any such guarantee, as to the payment of sums under such guarantee, junior to the RCIs (other than ordinary shares, preference shares or other securities held by the Holding Company or a wholly-owned Subsidiary).

For the avoidance of doubt, no RCI may be redeemed pursuant to the provisions of Conditions 7(b), 7(c), 7(d) and 8(d), unless all Outstanding Payments are satisfied at the same time. In the event that either the Issuer or the Holding Company does not have a sufficient number of, respectively, Issuer Shares or Ordinary Shares available for issue to satisfy the payment of all such Outstanding Payments which are required to be satisfied in accordance with this Condition 6, then the Issuer may not redeem any RCI until such time as both the Issuer and the Holding Company have so available sufficient Issuer Shares or, as the case may be, Ordinary Shares.

(e) *Market Disruption*

Notwithstanding the provisions of Condition 6(b), if there exists, in the opinion of the Issuer, a Market Disruption Event on or after the 15th business day preceding any date upon which the Issuer is due to make or satisfy a Payment in accordance with this Condition 6, then the Issuer may give a notice to the Trustee, the Principal Paying Agent, the Calculation Agent and the RCI Holders as soon as possible after the Market Disruption Event has arisen or occurred, whereupon the relevant Payment may be deferred until such time as the Market Disruption Event no longer exists.

Any such Deferred Payment will be satisfied as soon as practicable following such time as the Market Disruption Event no longer exists. Interest shall not accrue on such Deferred Payment unless, solely as a consequence of the existence of a Market Disruption Event, the Issuer does not make the relevant Payment for a period of 14 days or more after the due date therefor, in which case interest shall accrue on such Deferred Payment from (and including) the date on which the relevant Payment was first due to be made to (but excluding) the date on which such Payment is made (and for so long as the sole reason for the Issuer not making the relevant Payment is the existence of the Market Disruption Event). Any such interest shall accrue at a rate determined in accordance with Condition 5 (*Coupon Payments*) and shall be satisfied only through the issue of Issuer Shares in accordance with Condition 6, as soon as reasonably practicable after the relevant Deferred Payment is made. No liability shall attach to the Trustee or its agent if, as a result of a Market Disruption Event or any other event outside the control of the Trustee or its agent, the Trustee or its agent is unable to comply with the provisions of Condition 6(b).

7. **Redemption and Substitution**

(a) *No Fixed Redemption Date*

The RCIs are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Conditions 2 (*Status and Subordination*) and 3 (*Winding-up and Administration*) and without prejudice to the provisions of Condition 12 (*Prescription*)) only have the right to repay them in accordance with the following provisions of this Condition 7 or in the circumstance provided in Condition 8(d).

Any redemption of the RCIs pursuant to Condition 7(b), 7(c) or 7(d) shall be subject to the Issuer providing at least one month's (or such other period that the Financial Regulator may require) prior notice to the Financial Regulator (except to the extent that the Financial Regulator no longer so requires).

Any redemption of the RCIs prior to 15 June 2019 pursuant to Condition 7(c) or 7(d) shall be subject to (i) the prior consent of the Financial Regulator and (ii) the requirement that the circumstance that entitles the Issuer to exercise its right of redemption is a change of law or regulation in the United Kingdom or a change in the interpretation of such law or regulation by any court or authority entitled to do so which change becomes, or would become effective on or after 31 October 2008 (in each case, except to the extent that the Financial Regulator no longer so requires).

(b) *Issuer's Call Option*

Provided that (i) the Auditors have reported to the Trustee within the previous six months that the Solvency Condition is met, and (ii) the Issuer has satisfied the Trustee that, both at the time when the notice of redemption is given and immediately following such redemption, the Issuer is or will be (as the case may be) in compliance with its capital adequacy requirements as provided in the Capital Regulations (except to the extent the Financial Regulator no longer so requires), the Issuer may, by giving not less than 30 nor more than 60 days' prior notice to the RCI Holders in accordance with Condition 16 (*Notices*) and to the Principal Paying Agent and the Trustee, which notice shall be irrevocable, elect to redeem all, but not some only, of the RCIs on any Reset Date at their principal amount together with any Outstanding Payments.

(c) *Redemption due to Taxation*

If the Issuer satisfies the Trustee immediately prior to the giving of the notice referred to below that, on the next due date for a Coupon Payment:

- (i) the Issuer would, for reasons outside its control, be unable to make such payment without being required to pay additional amounts as provided in Condition 11 (*Taxation*) (and such requirement cannot be avoided by the Issuer taking reasonable measures available to it); or
- (ii) payments of amounts in respect of interest on the RCIs including, for the avoidance of doubt, the issue of Issuer Shares pursuant to Condition 6 (*Alternative Coupon Satisfaction Mechanism*), may be treated as "distributions" within the meaning of Section 832(1) of the Income and Corporation Taxes Act 1988 (or such other Section and/or Act as may from time to time supersede or replace Section 832(1) of the Income and Corporation Taxes Act 1988 for the purposes of such definition) and such requirement or circumstance cannot be avoided by the Issuer taking such measures as it (acting in good faith) deems appropriate; or
- (iii) as a result of any change in, or prospective or actual amendment to, the laws of the United Kingdom or any political subdivision or authority thereof having power to tax, or any change in the application of official or generally published interpretation of such laws (including a decision by a court or tribunal of competent jurisdiction), or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such law or regulations that differs from the previously generally accepted position in relation to similar transactions or which differs from any specific written confirmation given by a tax authority in respect of the RCIs, which change or amendment becomes effective or is to take effect, on or after 31 October 2008, there is more than an insubstantial risk that the Issuer will not obtain relief for the purposes of United Kingdom corporation tax for any payment of interest including, for the avoidance of doubt, the issue of Issuer Shares pursuant to Condition 6 (*Alternative Coupon Satisfaction Mechanism*) in respect of the RCIs or, as a result of the RCIs being in issue, the Issuer may be unable to claim or surrender losses as group relief and such requirement or circumstance cannot be avoided by the Issuer taking such measures as it (acting in good faith) deems appropriate,

then, subject to Condition 7(a), the Issuer may *provided that* (aa) the Auditors have reported to the Trustee within the previous six months that the Solvency Condition is met, and (bb) the Issuer has satisfied the Trustee that, both at the time when the notice of redemption is given and immediately following such redemption, the Issuer is or will be (as the case may be) in compliance with its capital adequacy requirements as provided in the Capital Regulations (except to the extent that the Financial Regulator no longer so requires), having given not less than 30 nor more than 60 days' prior notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16 (*Notices*)), the RCI Holders (which notice shall be irrevocable) redeem in accordance with these Terms and

Conditions, all, but not some only, of the RCIs at their principal amount together with any Outstanding Payments on any Coupon Payment Date.

Prior to the publication of any notice of redemption pursuant to this Condition 7(c) the Issuer shall deliver to the Trustee a certificate signed by a Director stating that the relevant requirement or circumstance referred to in paragraphs (i), (ii) or (iii) above is satisfied and the Trustee shall accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above in which event it shall be conclusive and binding on the RCI Holders. Upon expiry of such notice the Issuer shall redeem the RCIs.

(d) *Redemption or Substitution for Regulatory Purposes*

If at any time the RCIs cease to be eligible to qualify as Tier 1 Capital then the Issuer may, *provided that*, in the case of (x) below, (i) the Auditors have reported to the Trustee within the previous six months that the Solvency Condition is met, and (ii) the Issuer has satisfied the Trustee that, both at the time when the notice of redemption is given and immediately following such redemption, the Issuer is or will be (as the case may be) in compliance with its capital adequacy requirements as provided in the Capital Regulations (except to the extent that the Financial Regulator no longer so requires) and, in the case of (y) below, subject to the Issuer having given at least one month's prior notice (or such other period as the Financial Regulator may require) to, and having received the prior approval of the Financial Regulator, and in each case having given not less than 30 nor more than 60 days' prior notice to the Trustee, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent (if any) and, in accordance with Condition 16 (*Notices*), the RCI Holders (which notice shall be irrevocable) (x) redeem in accordance with these Terms and Conditions, all, but not some only, of the RCIs at their principal amount together with any Outstanding Payments on any Coupon Payment Date; or (y) substitute the RCIs in whole, but not in part, with Qualifying Tier 1 Instruments equal to the aggregate Substitution Amount for all outstanding RCIs, without any requirement for consent or approval of the RCI Holders or the Trustee.

On the Substitution Date, the Issuer shall (subject to the provisions of Conditions 2 (*Status and Subordination*) and 3 (*Winding-up and Administration*) and *provided that* the Auditors have reported to the Trustee within the previous six months that the Solvency Condition is met, pay to the RCI Holders all Deferred Payments and any Accrued Payment which has not been paid in respect of the period from (and including) the Coupon Payment Date last preceding the Substitution Date (or if none, the Issue Date) to (but excluding) the Substitution Date.

Notwithstanding the above, the Issuer may, at its option, satisfy any Deferred Payment or the Accrued Payment which has not been paid in respect of the period from (and including) the Coupon Payment Date last preceding the Substitution Date (or if none, the Issue Date) to (but excluding) the Substitution Date, through the issue of Issuer Shares in the manner set out in Condition 6 (*Alternative Coupon Satisfaction Mechanism*).

Prior to the publication of any notice of redemption pursuant to this Condition 7(d) the Issuer shall deliver to the Trustee a certificate signed by a Director of the Issuer stating that the RCIs ceased to be eligible to qualify as Tier 1 Capital. Upon expiry of such notice the Issuer shall redeem the RCIs.

Prior to the publication of any notice of substitution pursuant to the foregoing provisions (which notice shall contain the date on which substitution shall occur (the "**Substitution Date**")), the Issuer must first deliver to the Trustee a certificate, signed by two Directors, certifying that the securities to be delivered in substitution for the RCIs are, and that an Independent Investment Bank agrees that they are, Qualifying Tier 1 Instruments. The Trustee shall (at the expense of the Issuer) use its reasonable endeavours to enter into such documents or deeds as may be necessary to give effect to the substitution of the RCIs for such alternative Qualifying Tier 1 Instruments, *provided that* the Trustee shall not be obliged to do so if the terms of the proposed alternative Qualifying Tier 1 Instruments or the entry into such documents or deeds as may be necessary to give effect to such

substitution would impose, in the Trustee's opinion, more onerous obligations or liabilities upon it or reduce its protections. If, notwithstanding the above, the Trustee does not enter into such documents or deeds as may be necessary to give effect to such substitution as provided above, the Issuer may, subject as provided herein, substitute the RCIs as provided above.

The Issuer will pay or procure that the issuer of the relevant Qualifying Tier 1 Instruments will pay any UK stamp duty or stamp duty reserve tax arising on the issue thereof. The Issuer will not be obliged to pay and will not pay any liability of such RCI Holder to corporation tax, corporate income tax or tax on profits or gains arising in respect of the substitution of RCIs for Qualifying Tier 1 Instruments, including in respect of any disposal or deemed disposal of the RCIs in connection with such substitution or any stamp duty reserve taxes, or capital taxes or stamp, issue and registration duties or any other taxes arising on any subsequent transfer, disposal or deemed disposal of the Qualifying Tier 1 Instruments by such RCI Holder.

(e) *Purchases*

The Issuer or any other Subsidiary may (subject to the prior consent of the Financial Regulator, if required) and *provided that* (i) the Auditors have reported to the Trustee within the previous six months that the Solvency Condition is met and (ii) the Issuer has satisfied the Trustee that, both at the time when the RCIs are to be purchased and immediately following such purchase, the Issuer is or will be (as the case may be) in compliance with its capital adequacy requirements as provided in the Capital Regulations (if required), at any time purchase RCIs in any manner and at any price.

(f) *Cancellation*

All RCIs so redeemed, substituted or purchased by the Issuer, save for any such RCIs purchased by the Issuer in the ordinary course of a business in dealing in securities, will be cancelled and may not be re-issued or resold.

8. **Payments**

(a) *Method of Payment*

(i) Payments of principal (including amounts in respect of the Suspension Redemption Price) in respect of the RCIs will be made on the due date for payment to the persons shown on the Register at the close of business on the relevant Record Date in respect of such payment. Payments of principal (including amounts in respect of the Suspension Redemption Price) in respect of the RCIs will be made by transfer to the registered account of the RCI Holder or by Sterling cheque drawn on a bank in London mailed to the registered address of the RCI Holder if it does not have a registered account and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Individual RCI Certificates at the specified office of the Paying Agents.

(ii) Payments of Coupon Amounts in respect of the RCIs will be paid on the due date for payment to the persons shown on the Register at the close of business on the relevant Record Date in respect of such payment. Payments of Coupon Amounts on each RCI will be made by transfer to the registered account of the RCI Holder or by Sterling cheque drawn on a bank in London mailed to the registered address of the RCI Holder if it does not have a registered account and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Individual RCI Certificates at the specified office of the Paying Agents.

(iii) The name of the initial Paying Agent and its initial specified office is set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee at any time to vary or terminate the appointment of any Paying Agent and

to appoint additional or other Paying Agents *provided that* it will at all times maintain (aa) for so long as the RCIs are admitted to the Official List of the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 and admitted to trading on the London Stock Exchange's EEA Regulated Market, a Paying Agent having a specified office in London and (bb) a Paying Agent with a specified office in a European Union member state (which may include the United Kingdom) that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26–27 November 2000. Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the RCI Holders in accordance with Condition 16 (*Notices*).

(iv) For the purposes of this Condition, a RCI Holder's registered account means the Sterling account maintained by or on behalf of it with a bank in London, details of which appear on the Register at the close of business on the second business day before the due date for payment, and an RCI Holder's registered address means its address appearing on the Register at that time.

(b) *Payments subject to Fiscal Laws*

Without prejudice to the terms of Condition 11 (*Taxation*), all payments made in accordance with these Terms and Conditions shall be made subject to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses shall be charged to the RCI Holders in respect of such payments.

(c) *Payments on Payment Business Days*

Where payment is to be made by transfer to a Sterling account, payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) 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 due date for payment and the day on which the relevant Individual RCI 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 due date for payment. A RCI Holder shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 8 arriving after the due date for payment or being lost in the mail.

(d) *Suspension*

If, following any takeover offer made under the City Code on Take-overs and Mergers (or any equivalent or similar rules or regulations) or any reorganisation, restructuring or scheme of arrangement, the holding company which, immediately prior to such event, was the Ultimate Owner ceases to be the Ultimate Owner, then the Issuer shall as soon as practicable give notice to the Trustee, the Calculation Agent (if any) and the RCI Holders, whereupon the Issuer's ability to satisfy a Payment by the method contemplated by Condition 6 (*Alternative Coupon Satisfaction Mechanism*) shall be suspended (such event being a "**Suspension**"). In such event the Independent Investment Bank shall determine, subject to the requirements that (i) the Issuer shall not be obliged to reduce its net assets, (ii) no amendment may be proposed or made which would alter the regulatory capital treatment of the RCIs for banking capital adequacy purposes without the prior consent of the Financial Regulator (except to the extent that the Financial Regulator no longer so requires), and (iii) no such amendment may be made which would, in the Trustee's opinion, impose more onerous obligations on it without its consent, what amendments (if any) to these Terms and Conditions, the Trust Deed and any other relevant documents are appropriate in order to preserve substantially the economic effect, for the RCI Holders, of a holding of the RCIs prior to the Suspension. Upon any such determination being

reached and notified to the Trustee and the Issuer by such investment bank, the Trustee and the Issuer shall, pursuant to the terms of the Trust Deed and without the consent of the RCI Holders, effect any necessary consequential changes to these Terms and Conditions and the Trust Deed and any other relevant documents, whereupon the Issuer's right to satisfy a Payment by the method contemplated in Condition 6 (*Alternative Coupon Satisfaction Mechanism*) shall no longer be subject to the Suspension.

If, after using all reasonable endeavours, such investment bank is unable to formulate such amendments, it shall so notify the Issuer, the Holding Company, the previous Ultimate Owner (if not the Holding Company), the new Ultimate Owner, the Trustee, the Principal Paying Agent and the Calculation Agent (if any) and each RCI shall be redeemed by the Issuer, following notice to the RCI Holders by the Issuer of such redemption, as soon as practicable after receipt of the consent of the Financial Regulator to such redemption (if such consent is required), at the Suspension Redemption Price, together with interest accrued on such RCI until such date of redemption, and any Outstanding Payments which have not otherwise been satisfied in accordance with these Terms and Conditions, not later than the 60th business day following the giving of such notice by the Issuer to the RCI Holders. Such redemption will, unless otherwise agreed by the Issuer and the Trustee, be effected through the issue of Issuer Shares, such Issuer Shares to be transferred to the new Ultimate Owner in consideration for which the new Ultimate Owner issues and transfers its ordinary shares (or share capital of an equivalent class) in accordance, mutatis mutandis, with Condition 6 (*Alternative Coupon Satisfaction Mechanism*) (with references to the Payment Ordinary Shares being construed as references to such ordinary shares or equivalent share capital of the new Ultimate Owner).

9. **Pre-emption**

The Issuer shall, at all times, keep available for issue such number of Issuer Shares as it reasonably considers would be required to be issued in order to satisfy the amount of the next Coupon Payment (or, after the First Reset Date, the next four Coupon Payments) assuming such Coupon Payments were to be settled pursuant to Condition 6 (*Alternative Coupon Satisfaction Mechanism*).

The Holding Company shall, at all times, keep available for issue such number of Ordinary Shares as it reasonably considers would be required to be issued in order to satisfy the requirement to issue Payment Ordinary Shares in accordance with Condition 6 (*Alternative Coupon Satisfaction Mechanism*) in connection with the next Coupon Payment (or, after the First Reset Date, the next four Coupon Payments) assuming such Coupon Payments were to be settled pursuant to Condition 6 (*Alternative Coupon Satisfaction Mechanism*).

No damages will be payable for breach of this covenant but, in the event of breach by the Issuer or the Holding Company of this Condition 9, the Trustee may require the Issuer or, as the case may be, the Holding Company, to put before the next general meeting of the shareholders of the Issuer or, as the case may be, the Holding Company a resolution to remedy the breach.

The Trustee shall not be obliged to monitor compliance by the Issuer or the Holding Company with this Condition and shall be entitled to assume, unless it has actual knowledge to the contrary, that the Issuer and the Holding Company are complying with their obligations under this Condition.

For the avoidance of doubt, any shares which the Issuer or the Holding Company, as the case may be, is required to keep available for issue other than in connection with this issue of RCIs shall be discounted in determining whether the Issuer and the Holding Company are complying with their obligations under this Condition.

10. **Non-Payment when Due**

Notwithstanding any of the provisions below in this Condition 10, the right to institute winding-up proceedings (or, if permitted by these Terms and Conditions, administration proceedings) is limited to circumstances where a payment has become due and payable. Pursuant to Condition 2(b), no principal or Payment will be due and payable if the Solvency Condition is not

met, or if the Issuer would not otherwise be solvent immediately after payment of the relevant amount of principal or Payment. Also, in the case of any Coupon Payment, such Coupon Payment will not be due, if the Issuer has elected to defer that Coupon Payment pursuant to Condition 4 (*Deferrals*) or if the circumstances referred to in any of Conditions 6(d), 6(e) or 8(d) then apply. Accordingly, no default will have occurred or be deemed to have occurred in such circumstances. Furthermore, the failure by the Issuer to satisfy any Deferred Payment on the Coupon Payment Date falling on or nearest to the 10th anniversary of the related Deferral Date pursuant to Condition 4(a) shall not constitute a default and no winding-up proceedings (or, if permitted by these Terms and Conditions, administration proceedings) may be instituted notwithstanding that such Deferred Payment shall then be due. The Trust Deed contains provisions entitling the Trustee to claim from the Issuer, *inter alia*, the fees, expenses and liabilities incurred by it in carrying out its duties under the Trust Deed. The restrictions on commencing proceedings described below will not apply to any such claim.

- (a) If the Issuer shall not make payment in respect of the RCIs (in the case of payment of principal) for a period of 7 days or more after the date that such payment has become due and payable in accordance with the terms hereof for the same or (in the case of any Coupon Payment, Deferred Payment or Accrued Payment or any payment under Clause 2.6 of the Trust Deed in respect of a payment shortfall) shall not make payment for a period of 14 days or more after the date that such payment has become due and payable in accordance with the terms hereof, the Issuer shall be deemed to be in default under the Trust Deed and the RCIs and the Trustee may, notwithstanding the provisions of paragraph (b) of this Condition 10, institute proceedings for the winding-up of the Issuer.
- (b) Subject as provided in Condition 9 (*Pre-emption*), the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed or the RCIs (other than for the payment of any principal or satisfaction of any Payments in respect of the RCIs or any payment under Clause 2.6 of the Trust Deed) *provided that* the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.
- (c) The Trustee shall not be bound to take any of the actions referred to in paragraph (a) or (b) above against the Issuer to enforce the terms of the Trust Deed or the RCIs unless (i) it shall have been so requested by an Extraordinary Resolution of the RCI Holders or in writing by the holders of at least one-fifth in principal amount of the RCIs then outstanding (as defined in the Trust Deed) and (ii) it shall have been indemnified and/or secured to its satisfaction.
- (d) No RCI Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up of the Issuer or to prove in such winding-up or the administration of the Issuer unless the Trustee, having become so bound to proceed or being able to prove in such winding-up or administration, fails to do so within a reasonable period and such failure shall be continuing, in which case the RCI Holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise. No remedy against the Issuer shall be available to the Trustee or any RCI Holder (i) for the recovery of amounts owing in respect of the RCIs (including any payment under Clause 2.6 of the Trust Deed), other than the institution of proceedings for the winding-up of the Issuer in England and/or proving in such winding-up or the administration of the Issuer and (ii) for the breach of any other term under the Trust Deed or the RCIs, other than as provided in paragraph (b) above.

## 11. **Taxation**

All payments by or on behalf of the Issuer of principal (including amounts in respect of any Suspension Redemption Price), Coupon Payments, Deferred Payments, Accrued Payments and Solvency Claims in respect of the RCIs will be made without withholding of or deduction for, or on any account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the United Kingdom or any political subdivision thereof or by any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by

law. In that event the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by RCI Holders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the RCIs in the absence of such withholding or deduction, except that no such additional amounts shall be payable in relation to any payment with respect to any RCI:

- (a) held by a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such RCI by reason of his having some connection with the United Kingdom other than the mere holding of such RCI; or
- (b) unless it is proved to the satisfaction of the Paying Agent through whom the relevant payment is made that the holder would not be able to avoid such withholding or deduction by satisfying any statutory requirements and/or by making a declaration of non-residence or other similar claim for exemption but, in either case, fails to do so; or
- (c) where (in the case of a payment of principal or interest on redemption) the relevant RCI is surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts if it had surrendered the same for payment on the last day of such period of 30 days; or
- (d) where such withholding or deduction is made pursuant to European Council Directive 2003/48/EC or any other Directive on implementing the conclusions of the ECOFIN Council meeting of 26–27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (e) held by a holder of a RCI who would have been able to avoid such withholding or deduction by arranging to receive the relevant payment through another Paying Agent in a Member State of the European Union.

References in these Terms and Conditions to principal and/or Coupon Payments, Deferred Payments and/or Accrued Payments shall be deemed to include any additional amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

12. **Prescription**

RCIs will become void unless presented for payment within a period of 10 years from the Relevant Date relating thereto.

13. **Meetings of RCI Holders, Modification, Waiver and Substitution**

The Trust Deed contains provisions for convening meetings of RCI Holders to consider any matter affecting their interests including the modification by Extraordinary Resolution (as defined in the Trust Deed) of these Terms and Conditions or other provisions of the Trust Deed.

The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the RCIs for the time being outstanding, or at any adjourned such meeting one or more persons being or representing RCI Holders whatever the principal amount of the RCIs so held or represented, except that at any meeting the business of which includes the modification of certain of these Terms and Conditions (including, *inter alia*, the provisions regarding subordination referred to in Conditions 2 and 3, the terms concerning currency and due dates for payment of principal (including amounts in respect of any Suspension Redemption Price) or Coupon Payments in respect of the RCIs and reducing or cancelling the principal amount of any RCI or the Coupon Rate in respect of such RCI) and certain other provisions of the Trust Deed, the quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in principal amount of the RCIs for the time being outstanding.

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

In addition, a resolution in writing signed by or on behalf of all RCI Holders who for the time being are entitled to receive notice of a meeting of RCI Holders 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 RCI Holders.

Notwithstanding any other provision of these Terms and Conditions, the Trustee may agree, without the consent of the RCI Holders, to any modification (subject to certain exceptions) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any other provisions of the Trust Deed which, in the opinion of the Trustee, is not materially prejudicial to the interests of the RCI Holders or to any modification which is, in the opinion of the Trustee, of a formal, minor or technical nature or to correct a manifest error or to comply with the mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

No modification to these Terms and Conditions or any other provisions of the Trust Deed shall become effective unless the prior consent thereto of the Financial Regulator shall have been obtained (except to the extent that the Financial Regulator no longer requires such consent to be obtained).

Subject to the prior consent of the Financial Regulator (to the extent that the Financial Regulator requires such consent to be obtained) and as provided in the Trust Deed, the Trustee may agree with the Issuer, without the consent of the RCI Holders, to the substitution on a subordinated basis equivalent to that referred to in these Terms and Conditions of any holding company or subsidiary of such holding company or any successor in business of the Issuer (the "**Substituted Issuer**") in place of the Issuer (or any previous Substituted Issuer under this Condition 13) as a new issuing party under the Trust Deed and the RCIs. In connection with any proposed substitution as aforesaid and in connection with the exercise of its functions, the Trustee shall have regard to the interests of the RCI Holders as a class and the Trustee shall not have regard to the consequences of such substitution for individual RCI Holders resulting from in particular their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory.

In connection with any substitution or such exercise as aforesaid, no RCI Holder shall be entitled to claim, whether from the Issuer, the Substituted Issuer or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or exercise upon any individual RCI Holders except to the extent already provided in Condition 10 (*Non-Payment when Due*) and/or any undertaking given in addition thereto or in substitution therefore pursuant to the Trust Deed.

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

14. **Replacement of the RCIs**

Should any RCI be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent (or any other place of which notice shall have been given in accordance with Condition 16 (*Notices*)) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced RCIs must be surrendered before any replacement RCIs will be issued.

15. **The Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking any action unless indemnified and/or secured to its satisfaction. The Trustee is entitled to enter into business transactions with the Holding Company, the Issuer or any other Subsidiary without accounting for any profit resulting therefrom. The Trustee is entitled under the Trust Deed to rely on reports and certificates delivered to it by the Auditors whether or not the same are subject to any limitation of the liability of the Auditors and whether by reference to a monetary cap or otherwise.

16. **Notices**

Notices to RCI Holders will be valid if published in a leading newspaper having general circulation in London (expected to be the Financial Times) and such other newspaper (if any) as required by any stock exchange on which the RCIs are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

17. **Further Issues**

The Issuer shall be at liberty from time to time without the consent of the RCI Holders to create and issue further RCIs ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further RCIs) and so that the same shall be consolidated and form a single series with the outstanding RCIs. Any such RCIs shall be constituted by a deed supplemental to the Trust Deed.

18. **Agents**

If a function expressed in these Terms and Conditions to be performed by the Calculation Agent falls to be performed, the Issuer will appoint and (for so long as any such function is required to be performed) maintain a Calculation Agent. The Issuer will procure that there shall at all times be a Registrar as long as any RCI is outstanding. If the Calculation Agent or Registrar is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Terms and Conditions or the relevant Calculation Agency Agreement or the Paying Agency Agreement as appropriate, the Issuer shall appoint, on terms acceptable to the Trustee, an Independent Investment Bank acceptable to the Trustee to act as such in its place. Neither the termination of the appointment of a Calculation Agent or the Registrar nor the resignation of either will be effective without a successor having been appointed.

All calculations and determinations made by the Calculation Agent in relation to the RCIs shall (save in the case of manifest error) be final and binding on the Issuer, the Holding Company, the Trustee, the Paying Agents, the Registrar, the Transfer Agents and the RCI Holders.

None of the Issuer, the Holding Company, the Trustee, the Paying Agents, the Registrar or the Transfer Agents shall have any responsibility to any person for any errors or omissions in any calculation by the Calculation Agent.

19. **Governing Law**

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

20. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the RCIs under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is otherwise available apart from such Act.

21. **Definitions**

In these Terms and Conditions:

**"Accrued Payment"** means, as at any time, where these Terms and Conditions provide that interest shall continue to accrue after a Coupon Payment Date (or other relevant date) in respect of an RCI, the amount of interest accrued thereon in accordance with Conditions 2(b)(ii), 5, 6(d) and/or 6(e);

**"Applicable Regulatory Capital Requirements"** means any requirements contained in Capital Regulations for the maintenance of capital from time to time applicable to the Issuer on a solo basis, including transitional rules and waivers;

"**Assets**" means the non-consolidated gross tangible assets of the Issuer, as shown by the latest published audited balance sheet of the Issuer, but adjusted, if the aggregate amount included in such balance sheet in respect of the Issuer's investment in all subsidiaries and Associated Companies of the Issuer exceeds the aggregate of the net tangible assets of such subsidiaries and Associated Companies attributable to the Issuer (calculated on a consolidated basis where any of such subsidiaries and Associated Companies itself has Subsidiaries) as shown by their latest relevant audited balance sheets, by deducting from the total amount of such assets an amount equal to such excess and adjusted also for contingencies and for subsequent events in such manner and to such extent as an Authorised Signatory, the Auditors or, as the case may be, a liquidator or administrator of the Issuer may determine to be appropriate;

"**Associated Company**" means any body corporate, not being a subsidiary, which shall be treated by the Auditors as an associated company for the purpose of the Statement of Standard Accounting Practice/Financial Reporting Standard for the time being in effect relating to accounting for the results of associated companies adopted or published by the Accounting Standards Board Limited of Great Britain;

"**Auditors**" means PricewaterhouseCoopers LLP as statutory independent auditors to the Issuer or such other auditor as may be appointed from time to time;

"**Authorised Denominations**" means a minimum denomination of £50,000 and integral multiples of £1,000 thereafter;

"**Authorised Signatory**" means a person who is duly empowered to bind the Issuer in relation to the relevant document(s) and whose authority is duly evidenced;

"**business day**" means a day, other than a Saturday or Sunday, on which commercial banks and foreign exchange markets settle payments in London;

"**Calculation Agency Agreement**" means any agreement entered into by the Issuer, the Holding Company, the Trustee and the Calculation Agent, relating to the RCIs under which the Calculation Agent agrees to perform the duties required of it under these Terms and Conditions;

"**Calculation Agent**" means the institution appointed on the terms of a Calculation Agency Agreement, selected by the Issuer and approved by the Trustee for the purposes of performing any of the functions expressed to be performed by the Calculation Agent under these Terms and Conditions;

"**Capital Regulations**" means at any time the regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Financial Regulator;

"**Coupon Amount**" means the amount of interest payable for the relevant Coupon Period in accordance with Condition 5 (*Coupon Payments*);

"**Coupon Determination Date**" means, in relation to each Reset Date, the first day of each Reset Period;

"**Coupon Payment**" means, with respect to a Coupon Payment Date, the aggregate Coupon Amounts for the Coupon Period ending on (but excluding) such Coupon Payment Date;

"**Coupon Payment Date**" means (i) in respect of the period from the Issue Date to the First Reset Date, 15 June in each year, starting 15 June 2009, which will be the first Coupon Payment Date in respect of the period from (and including) the Issue Date to (but excluding) 15 June 2009 and will amount to £76.71 per £1,000 in principal amount of the RCIs, and (ii) after the First Reset Date, 15 March, 15 June, 15 September and 15 December in each year, starting 15 September 2019 *provided that* if any Coupon Payment Date after the First Reset Date would otherwise fall on a day which is not a business day, it shall be postponed to the next day which is a business day;

"**Coupon Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Coupon Payment Date and each successive period beginning on (and including) a Coupon Payment Date and ending on (but excluding) the next succeeding Coupon Payment Date;

"**Coupon Rate**" has the meaning given to it in Condition 5(b);

"**Coupon Satisfaction Date**" means the date on which the Issuer has resolved to satisfy a Deferred Payment, as notified by the Issuer to the Trustee, the RCI Holders, the Principal Paying Agent and the Calculation Agent (if any) in accordance with Condition 4 (*Deferrals*);

"**Day Count Fraction**" means (i) in respect of any period ending on or before the First Reset Date, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the number of days in the Coupon Period in which the relevant period falls and (ii) in respect of any period commencing on or after the First Reset Date, the actual number of days in the relevant period divided by 365 or (in the case of a Coupon Period ending in a leap year, 366);

"**dealing day**" means a day, other than a Saturday or Sunday, on which the stock exchange or other market on which the Reference Bond is at the relevant time listed or traded is ordinarily open for the trading of securities;

"**Deferral Date**" has the meaning ascribed to such term in Condition 4(a);

"**Deferred Payment**" means any Payment, or part thereof, which, pursuant to Condition 4 (*Deferrals*), the Issuer has elected to defer and which has not been satisfied;

"**Directors**" means the executive and non-executive directors of the Issuer who make up its board of directors;

"**EEA Regulated Market**" means a regulated market for the purposes of the Markets in the Financial Instruments Directive (Directive 2004/39/EC);

"**Existing RCIs**" means each of the Issuer's outstanding 7.50 per cent. Step-up Callable Perpetual Reserve Capital Instruments issued on 3 May 2000, 8.55 per cent. Step-up Callable Perpetual Reserve Capital Instruments issued on 19 September 2000, 7.375 per cent. Step-up Callable Perpetual Reserve Capital Instruments issued on 5 June 2001, 5.3304 per cent. Step-up Callable Perpetual Reserve Capital Instruments issued on 31 March 2006, 5.926 per cent. Step-up Callable Perpetual Reserve Capital Instruments issued on 28 September 2006, 6.3688 per cent. Step-up Callable Perpetual Reserve Capital Instrument issued on 12 June 2007, 7.434 per cent. Step-up Callable Perpetual Reserve Capital Instruments issued on 25 September 2007 and any other existing or future obligations of the Issuer which rank or are expressed to rank *pari passu* with the aforesaid obligations (other than the Existing TONs);

"**Existing TONs**" means the Issuer's outstanding £400,000,000 6 per cent. Callable Perpetual Core Tier One Notes issued on 4 July 2002 and U.S.\$1,000,000,000 6.86 per cent. Callable Perpetual Core Tier One Notes issued on 25 September 2002 and any other existing or future obligations of the Issuer which rank or are expressed to rank *pari passu* with the aforesaid obligations (other than the Existing RCIs);

"**Financial Regulator**" means the Financial Services Authority or such other governmental authority in the United Kingdom (or, if the Issuer becomes subject to primary bank supervision in a jurisdiction other than the United Kingdom, in such other jurisdiction) having primary bank supervisory authority with respect to the Issuer;

"**First Reset Date**" means 15 June 2019;

"**General Deferral Notice**" has the meaning ascribed to such term in Condition 4(a);

"**Holding Company**" means Barclays PLC;

"**Independent Investment Bank**" means the independent investment bank or financial institution of international repute selected and appointed by the Issuer at the Issuer's expense for the purposes of performing one or more of the functions expressed to be performed by the Independent Investment Bank in connection with the RCIs as set out herein;

**"Individual RCI Certificate"** means a certificate evidencing the registered holding of RCIs by an RCI Holder;

**"interest"** shall, where appropriate, include Coupon Amounts, Deferred Payments and Accrued Payments;

**"Issue Date"** means 27 November 2008, being the date of initial issue of the RCIs;

**"Issuer"** means Barclays Bank PLC;

**"Issuer Shares"** means ordinary shares of the Issuer;

**"Junior Subordinated Debt"** means the Issuer's outstanding Undated Floating Rate Primary Capital Notes Series 1, 2 and 3, 9.875 per cent. Undated Subordinated Notes, 9 per cent. Permanent Interest Bearing Capital Bonds, 7.125 per cent. Undated Subordinated Notes, 6.875 per cent. Undated Subordinated Notes, 6.5 per cent. Undated Subordinated Notes, 6.375 per cent. Undated Subordinated Notes, 6.125 per cent. Undated Subordinated Notes and any other securities constituted by a trust deed dated 2 July 1985 made between the Issuer and Phoenix Assurance Public Limited Company, as trustee, and any trust deed supplemental thereto, 8.25 per cent. Undated Subordinated Notes, 7.70 per cent. Undated Subordinated Notes and any other Undated securities constituted by a trust deed dated 24 May 2005 made between the Issuer and The Bank of New York, acting through its London branch, as trustee, and any trust deed supplemental thereto, 5.03 per cent. Reverse Dual Currency Undated Subordinated Loan, 5 per cent. Reverse Dual Currency Undated Subordinated Loan, 9.25 per cent. Perpetual Subordinated Bonds constituted by a trust deed dated 27 November 1996 made between the Issuer (as successor to Woolwich plc) and Law Debenture Trust Corporation p.l.c. and any other obligations of the Issuer which are expressed to rank *pari passu* with the aforesaid obligations;

**"Liabilities"** means the non-consolidated gross liabilities of the Issuer, as shown by the latest published audited balance sheet of the Issuer, but adjusted for contingencies and for subsequent events in such manner and to such extent as an Authorised Signatory, the Auditors or, as the case may be, a liquidator or administrator of the Issuer may determine to be appropriate;

**"Market Disruption Event"** means (i) the occurrence or existence of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by any stock exchange on which the Ordinary Shares are for the time being listed) or on settlement procedures for transactions in the Ordinary Shares on any stock exchange on which the Ordinary Shares are for the time being listed if, in any such case, that suspension or limitation is, in the determination of the Calculation Agent, material in the context of the sale of the Ordinary Shares, or (ii) in the opinion of the Issuer, there has been a substantial deterioration in the price and/or value of the Issuer Shares or the Ordinary Shares or circumstances are such as to prevent or to a material extent restrict the issue or delivery of the Payment Issuer Shares or Payment Ordinary Shares, as the case may be, or (iii) where, pursuant to these Terms and Conditions, monies are required to be converted from one currency into another currency in respect of any Payment, the occurrence of any event that makes it impracticable to effect such conversion;

**"Ordinary Shares"** means ordinary shares of the Holding Company, having on the Issue Date a par value of 25p each;

**"Outstanding"**, in relation to any Coupon Payment or Deferred Payment, means that such payment (a) has either become due and payable or would have become due and payable except for the nonsatisfaction on the relevant date of the conditions referred to in Condition 2(b)(i) or the deferral, postponement or suspension of such payment in accordance with any of Condition 4, 6(d), 6(e) or 8(d); and (b) in any such case has not been satisfied, and in relation to any Accrued Payment means any amount thereof which has not been satisfied whether or not payment has become due;

**"Paying Agency Agreement"** means the paying agency agreement to be dated 27 November 2008 between the Issuer, the Holding Company, the Trustee, the Registrar, the Transfer Agents and the Paying Agents, relating to the RCIs under which the Registrar, the Transfer Agents and each paying agent agrees to perform the duties required of it under these Terms and Conditions;

"**Paying Agents**" means the paying agents appointed pursuant to the Paying Agency Agreement and such term shall, unless the context otherwise requires, include the Principal Paying Agent;

"**Payment**" means any Coupon Payment, Deferred Payment or Accrued Payment;

"**Payment Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business in London and, in the case of a surrender (or endorsement) of a RCI, in the place of the specified office of the relevant Paying Agent to whom the same is surrendered (or presented for endorsement);

"**Payment Issuer Shares**" has the meaning ascribed to it in Condition 6(b);

"**Payment Ordinary Shares**" has the meaning ascribed to it in Condition 6(b);

"**Principal Paying Agent**" means the principal paying agent appointed pursuant to the Paying Agency Agreement;

"**Qualifying Tier 1 Instruments**" means instruments (whether debt securities, interests in limited partnerships or otherwise) other than ordinary shares, preference shares or other equity securities, issued directly or indirectly by the Issuer that:

- (a) have terms not materially less favourable to a holder of the RCIs (as reasonably determined by the Issuer *provided that* in making this determination the Issuer is not required to take into account the tax treatment of the new instrument in the hands of all or any holder, or any transfer or similar taxes that may apply on the acquisition of the new instrument), and *provided that* a certification to such effect of two Directors and an opinion to such effect of the Independent Investment Bank shall have been delivered to the Issuer prior to the issue of the relevant instruments and is so stated in the certificate) *provided that* they shall (1) rank on a winding-up at least equal to the RCIs, (2) have at least the same coupon or distribution rate or rate of return and the same coupon payment dates or dates of distribution as the RCIs but not necessarily having provisions analogous to the provisions of Condition 6 (*Alternative Coupon Satisfaction Mechanism*), (3) have the same optional and scheduled redemption dates as the RCIs, (4) comply with the then current requirements of the FSA in relation to Tier 1 capital and (5) if not issued by the Issuer, then have the benefit of a guarantee from the Issuer which ranks equally with the RCIs on a winding-up; and
- (b) are listed on the London Stock Exchange, the Luxembourg Stock Exchange or such other stock exchange as is a Recognised Stock Exchange;

"**RCIs**" means the £3,000,000,000 14 per cent. Step-up Callable Perpetual Reserve Capital Instruments, and such expression shall include, unless the context otherwise requires, any further instruments issued pursuant to Condition 17 (*Further Issues*) and forming a single series with the RCIs;

"**RCI Holder**" means the person in whose name an RCI is registered in the Register;

"**Recognised Stock Exchange**" means (a) any market of a recognised investment exchange which is for the time being designated as a recognised stock exchange for the purposes of Section 1005 of the Income Tax Act 2007 by an order made by the Commissioners for Her Majesty's Revenue and Customs and (b) any market outside the UK which is for the time being so designated;

"**Record Date**" means with respect to any payment in respect of an RCI, the fifteenth day before the due date for the payment of such payment;

"**Reference Banks**" means the financial institutions appointed as such by the Issuer pursuant to Condition 5(e);

"**Reference Bond**" means, in relation to any calculation of the Suspension Redemption Price, the 4.75 per cent. UK Treasury Stock due March 2020, or if such security is no longer in issue, such other United Kingdom government bond as the Calculation Agent may, with the advice of three

brokers of, and/or market makers in, United Kingdom government bonds selected by the Calculation Agent, determine to be appropriate for determining the Suspension Redemption Price;

**"Register"** means the register maintained by the Registrar pursuant to the Paying Agency Agreement;

**"Registrar"** means the registrar appointed pursuant to the Paying Agency Agreement;

**"Relevant Date"** means (i) in respect of any payment other than a Solvency Claim, the date on which such payment first becomes due and payable but, if the full amount of the monies payable on such date has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the **"Relevant Date"** means the date on which such monies shall have been so received and notice to that effect shall have been given to the RCI Holders in accordance with Condition 16 (*Notices*), and (ii) in respect of a Solvency Claim, the date which is one day prior to the commencement of the winding-up or the giving of notice by an administrator that he/she intends to declare and distribute a dividend;

**"Reset Date"** means the First Reset Date and thereafter, each Coupon Payment Date;

**"Reset Period"** means the period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date;

**"Senior Creditors"** means creditors of the Issuer (a) who are unsubordinated creditors of the Issuer, (b) 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 depositors and other unsubordinated creditors of the Issuer but not further or otherwise, (c) whose claims are in respect of Junior Subordinated Debt or (d) whose claims are, or are expressed to be, subordinated to the claims of other creditors, whether subordinated or unsubordinated, of the Issuer other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the RCI Holders;

**"Shareholders"** means the holders at any given time of Ordinary Shares;

**"Solvency Claim"** has the meaning ascribed to it in Condition 2(b)(ii);

the **"Solvency Condition"** shall be met in relation to the Issuer if its Assets exceed its Liabilities;

**"Subsidiary"** means each subsidiary for the time being of the Holding Company within the meaning of Section 736 of the Companies Act 1985 or, where such section is no longer in force for all purposes, such reference shall be construed accordingly as referring to Section 1159 of the Companies Act 2006;

**"subsidiary"** and **"holding company"** have the meanings ascribed to them under Section 736 of the Companies Act 1985 or, where such section is no longer in force for all purposes, such reference shall be construed accordingly as referring to Section 1159 of the Companies Act 2006;

**"substitute"** means, in respect of the RCIs being substituted for Qualifying Tier 1 Instruments, that such RCIs will be mandatorily redeemed and the proceeds of such redemption shall be mandatorily applied to the subscription or purchase of such Qualifying Tier 1 Instruments.

**"Substituted Issuer"** has the meaning ascribed to it in Condition 13 (*Meetings of RCI Holders, Modification, Waiver and Substitution*);

**"Substitution Amount"** means, for each RCI held, its Authorised Denomination;

**"Suspension"** has the meaning ascribed to it in Condition 8(d);

**"Suspension Redemption Price"** means, in respect of each RCI, the higher of (a) the denomination of such RCI and (b) the denomination of such RCI multiplied by the price, expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards), at which the gross redemption yield (as calculated by the Calculation Agent) on such RCI, if they were to be purchased at such price on the third dealing day prior to the date fixed for redemption,

would be equal to the gross redemption yield on such dealing day of a principal amount of the Reference Bond equal to the denomination of such RCI plus 0.5 per cent., on the basis of the middle market price of the Reference Bond prevailing at 11.00 a.m. (London time) on such dealing day;

**"Tier 1 Capital"** has the meaning ascribed to such term from time to time by the Financial Regulator;

**"Transfer Agents"** means the transfer agents appointed pursuant to the Paying Agency Agreement and such term shall, unless the context otherwise requires, include the Registrar;

**"Trust Deed"** means the trust deed to be dated 27 November 2008 between the Issuer, the Holding Company and the Trustee, relating to the RCIs;

**"Trustee"** means BNY Corporate Trustee Services Limited as trustee for the RCI Holders and includes its successor(s); and

**"Ultimate Owner"** means, at any given time, the ultimate holding company of the Barclays group of companies.

## **SUMMARY OF PROVISIONS RELATING TO THE RCIs WHILE IN GLOBAL FORM**

The RCIs will be represented by interests in the Global RCI Certificate which will be registered in the name of, or in the name of a nominee of, the common depositary for Clearstream, Luxembourg and/or Euroclear on or about the RCI Issue Date.

For so long as any of the RCIs are represented by the Global RCI Certificate, each person who is for the time being shown in the records of Euroclear, Clearstream, Luxembourg and/or any Alternative Clearing System (as defined below) as the holder of a particular principal amount of such RCIs must look solely to Euroclear, Clearstream, Luxembourg and/or such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the registered holder of such Global RCI, subject to, and in accordance with, the respective rules and procedures of Euroclear, Clearstream, Luxembourg and/or such Alternative Clearing System (as the case may be).

### **Exchange of Interests in the Global RCI Certificate for Individual RCI Certificates**

The Global RCI Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for Individual RCI Certificates only if:

- (i) Euroclear or Clearstream, Luxembourg 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 and no Alternative Clearing System is available; or
- (ii) the Trustee is satisfied that, on the occasion of the next payment due in respect of the RCIs, the Issuer or any of the Paying Agents would be required to make any deduction or withholding from any payment in respect of such RCIs which would not be required were such RCIs in definitive form.

"**Alternative Clearing System**" means any such other clearing system as shall have been approved by the Trustee.

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

The RCI Registrar will not register the transfer of or exchange of interests in the Global RCI Certificate for Individual RCI Certificates for a period of 15 days ending on the due date for any payment of principal or seven days ending on any Record Date in respect of a Coupon Payment Date.

### **Transfers of Interests in the Global RCI Certificate**

Transfers of interests in the Global RCI Certificate within Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.

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

### **Meetings**

The holder of the Global RCI Certificates shall be treated at any meeting of RCI Holders as having one vote in respect of each £1,000 principal amount of RCIs for which the Global RCI Certificates may be exchanged.

**Purchase and Cancellation**

Cancellation of any RCI represented by the Global RCI Certificate which is required by the Terms and Conditions of the RCIs to be cancelled will be effected by reduction in the principal amount of the relevant Global RCI Certificate.

**Trustee's Powers**

In considering the interests of RCI Holders in circumstances where the Global RCI Certificate is held on behalf of any one or more of Euroclear, Clearstream, Luxembourg, and an Alternative Clearing System, the Trustee may have regard to such information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of a Global RCI Certificate and may consider such interests on the basis that such accountholders were the holder of the relevant Global RCI Certificate.

**Notices**

So long as the RCIs are represented by the Global RCI Certificate and the Global RCI Certificate is held on behalf of any one or more of Euroclear, Clearstream, Luxembourg and an Alternative Clearing System, notices required to be given to RCI Holders may be given by their being delivered to the relevant clearing system for communication by it to entitled accountholders in substitution for notification, as required by the Terms and Conditions.

**Enforcement**

For the purposes of enforcement of the provisions of the Trust Deed against the Trustee, the persons named in a certificate of the holder of the RCIs in respect of which the Global RCI Certificate is issued shall be recognised as the beneficiaries of the trusts set out in the Trust Deed to the extent of the principal amount of their interest in the RCIs set out in the certificate of the holder as if they were themselves the holders of RCIs in such principal amounts.

## **USE OF PROCEEDS**

The net proceeds of the issue of the RCIs are expected to amount to approximately £2,905,000,000 after deduction of commissions and concessions and the expenses incurred in connection with the issue of the RCIs. The Issuer intends to use the net proceeds to strengthen further its capital base and to meet its objectives as set out in the Announcement.

## THE ISSUER AND THE GROUP

The Issuer is a public limited company registered in England and Wales under number 1026167. The liability of the members of the Issuer is limited. It has its registered and head office at 1 Churchill Place, London, E14 5HP, telephone number +44 (0)20 7116 1000. The Issuer 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 Act 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, the Issuer was re-registered as a public limited company and its name was changed from "Barclays Bank International Limited" to "Barclays Bank PLC".

The Issuer and its subsidiary undertakings (taken together, the "**Group**") is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The whole of the issued ordinary share capital of the Issuer is beneficially owned by the Holding Company, which is the ultimate holding company of the Group and is one of the largest financial services companies in the world by assets.

The short term unsecured obligations of the Issuer are rated A-1+ by Standard & Poor's, P-1 by Moody's and F1+ by Fitch and the long-term obligations of the Issuer are rated AA by Standard & Poor's, Aa1 by Moody's and AA by Fitch.

Based on the Group's unaudited financial information for the six months ended 30 June 2008, the Group had total assets of £1,365,752 million (June 2007: £1,158,539 million), total net loans and advances<sup>1</sup> of £449,981 million (June 2007: £364,434 million), total deposits<sup>2</sup> of £409,491 million (June 2007: £380,079 million), and total shareholders' equity of £32,627 million (June 2007: £28,789 million) (including minority interests of £1,826 million (June 2007: £1,810 million)). The profit before tax of the Group for the six months ended 30 June 2008 was £2,784 million (June 2007: £4,128 million) after impairment charges on loans and advances and other credit provisions of £2,448 million (June 2007: £959 million). The financial information in this paragraph is extracted from the unaudited Issuer Interim Results Announcement.

Based on the Group's audited financial information for the year ended 31 December 2007, the Group had total assets of £1,227,583 million (2006: £996,503 million), total net loans and advances<sup>1</sup> of £385,518 million (2006: £313,226 million), total deposits<sup>2</sup> of £386,395 million (2006: £336,316 million), and total shareholders' equity of £31,821 million (2006: £27,106 million) (including minority interests of £1,949 million (2006: £1,685 million)). The profit before tax of the Group for the year ended 31 December 2007 was £7,107 million (2006: £7,197 million) after impairment charges on loans and advances and other credit provisions of £2,795 million (2006: £2,154 million). The financial information in this paragraph is extracted from the audited 2007 Issuer Annual Report.

### Acquisitions

On 17 September 2008, the board of directors of the Holding Company (the "**Board**") announced that the Group had agreed, subject to US Court and relevant regulatory approvals, to acquire Lehman Brothers North American investment banking and capital markets operations and supporting infrastructure. Following receipt on 19 September 2008 of approval from the United States Bankruptcy court for the Southern District of New York, on 22 September 2008 the Group completed such acquisition. The Group also acquired the New York headquarters of Lehman Brothers as well as two data centres and the total consideration paid was U.S.\$1.54 billion (£0.9 billion).

On 1 July 2008, the Group acquired 100 per cent. of the shares of the Russian Bank, Expobank, for a consideration of approximately U.S.\$745 million (£373 million).

On 31 March 2008, the Group completed the acquisition of Discover's UK credit card business, Goldfish, for a cash consideration of £38 million (including attributable costs of £3 million), for fair value of net assets of £127 million, which gave rise to a gain on acquisitions of £89 million.

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<sup>1</sup> Total net loans and advances include balances relating to both bank and customer accounts.

<sup>2</sup> Total deposits include deposits from bank and customer accounts.

On 7 March 2008, Absa acquired, for a consideration of £5 million, a further 24 per cent. of Meeg Bank Limited, bringing Absa's shareholding up to 74 per cent. Meeg Bank is based in South Africa.

#### *Disposals*

On 31 October 2008, the Group completed the sale of Barclays Life Assurance Company Limited to Swiss Reinsurance Company for a consideration of approximately £762 million.

On 31 January 2008, the Group completed the sale of Barclays Global Investors Japan Trust & Banking Co. Ltd, a Japanese trust administration and custody operation.

#### **Recent developments**

##### *The Capital Raising*

On 8 October 2008, the UK Government announced a set of measures designed to ensure the stability of the UK financial system and to protect ordinary savers, depositors, businesses and borrowers. On 13 October 2008, the UK Government announced the implementation of these measures. The measures are intended to provide sufficient short term liquidity; to make available new Tier 1 capital to UK banks to strengthen their financial resources; and to ensure that the banking system has the funds necessary to maintain lending in the medium term through a credit guarantee scheme relating to short and medium term debt issuance. As part of the measures, the FSA has set higher capital targets for all UK banks.

On 13 October 2008, the Holding Company made an announcement relating to these measures. This Announcement is incorporated by reference into this Prospectus.

On 31 October 2008, the Board made an announcement (the "**Capital Raising Announcement**") of a proposal to raise more than £7 billion of additional capital (the "**Capital Raising**") from existing and new strategic and institutional investors. The Capital Raising will on completion (which is expected to be on or around 27 November 2008), satisfy the target capital levels agreed with the FSA.

The Capital Raising includes:

- An issue of £3 billion of the RCIs by the Issuer to Qatar Holding LLC and entities representing the beneficial interests of HH Sheikh Mansour Bin Zayed Al Nahyan, a member of the Royal Family of Abu Dhabi ("**HH Sheikh Mansour Bin Zayed Al Nahyan**"). In conjunction with this issue, Qatar Holding LLC and HH Sheikh Mansour Bin Zayed Al Nahyan have also subscribed (for a nominal consideration) for warrants (the "**Warrants**") to subscribe at their option for up to 1,516,875,236 new ordinary shares of the Holding Company with an exercise price of 197.775 pence per share.
- An issue of £2.8 billion of Mandatorily Convertible Notes by the Issuer (the "**MCNs**") to Qatar Holding LLC, Challenger Universal Limited (a company representing the beneficial interests of His Excellency Sheikh Hamad Bin Jassim Bin Jabr Al-Thani, the chairman of Qatar Holding LLC, and his family) ("**Challenger**") and HH Sheikh Mansour Bin Zayed Al Nahyan, and a further issue of £1.25 billion of MCNs to existing institutional shareholders and other institutional investors by way of an accelerated non-underwritten bookbuild placing implemented on 31 October 2008.
- Ordinary shares to be issued upon conversion of the MCNs and, as the case may be, exercise of the Warrants will increase Barclays equity Tier 1 ratio. The equity component of the proceeds from the RCIs and Warrants, representing the fair value of the Warrants, will be included in equity Tier 1 capital and the debt component of the proceeds of the RCIs and the Warrants will be included as innovative Tier 1 capital to the extent it is within the innovative Tier 1 allowance as defined by the FSA.

Qatar Holding LLC agreed to invest £500 million in MCNs and £1.5 billion in RCIs, and subscribed for Warrants to purchase up to £1.5 billion of Barclays PLC ordinary shares. Challenger agreed to invest £300 million in MCNs. Assuming the conversion of their MCNs and the full exercise of their Warrants, Qatar Holding LLC would hold approximately 1,607 million ordinary shares, representing 12.8 per cent. of the fully diluted share capital of the Holding Company and Challenger would hold approximately 354 million ordinary shares, representing 2.8 per cent. of the fully diluted share capital of the Holding Company. In addition to any other fees and commissions payable in connection with the issue of the securities, Qatar

Holding LLC will receive a fee of £66 million for having arranged certain of the subscriptions in the Capital Raising.

HH Sheikh Mansour Bin Zayed Al Nahyan agreed to invest £2 billion in MCNs and £1.5 billion in RCIs, and subscribed for Warrants to purchase up to £1.5 billion of Barclays PLC ordinary shares. Assuming the conversion of his MCNs and the full exercise of his Warrants, HH Sheikh Mansour Bin Zayed Al Nahyan would be beneficially entitled to approximately 2,063 million ordinary shares, representing 16.5 per cent. of the fully diluted share capital of the Holding Company. HH Sheikh Mansour Bin Zayed Al Nahyan has arranged for his investment in the Warrants, the MCNs and the RCIs to be funded by an Abu Dhabi governmental investment vehicle, which will become the indirect shareholder of the entities which are subscribing for the Warrants, the MCNs and the RCIs.

On 18 November 2008, the Board announced that Qatar Holding LLC and HH Sheikh Mansour Bin Zayed Al Nahyan had each offered to make available up to £250 million of RCIs for clawback by existing Barclays institutional investors at par. By consequence £500 million of RCIs (excluding Warrants) were placed with Barclays institutional investors by way of a bookbuild placing on 18 November 2008.

In addition, the Board also announced that:

- all members of the Board will exceptionally offer themselves for re-election at the Barclays Annual General Meeting to be held in April 2009; and
- no annual bonuses will be paid to executive directors of the Holding Company for 2008, following the offer by the executive directors to waive any annual bonus for 2008.

The necessary shareholder resolutions required in order to effect the Capital Raising were passed by the shareholders of the Holding Company on 24 November 2008.

The unaudited pro forma financial information set out on pages 58-59 of this Prospectus has been prepared to illustrate the effect of the Capital Raising as if it had occurred on 30 June 2008.

#### *The Placing*

On 18 September 2008, the Board announced the completion of a placing. A total of 226 million new Barclays PLC ordinary shares of 25 pence each (the "**Placing Shares**") issued by the Holding Company were placed with certain institutions at a price of 310 pence per Placing Share (the "**September Placing**"). Based on the placing price, the gross proceeds were £701 million.

#### *The Firm Placing and Placing and Open Offer*

On 25 June 2008, the Holding Company announced a share issue to raise approximately £4.5 billion through the issue of 1,576 million new Barclays PLC ordinary shares (the "**Firm Placing and Placing and Open Offer**"). The Firm Placing and Placing and Open Offer includes:

- approximately £500 million raised through a firm placing of 169 million new Barclays PLC ordinary shares at 296 pence per new Barclays PLC ordinary share to Sumitomo Mitsui Banking Corporation;
- approximately £4.0 billion raised through a placing of 1,407 million new Barclays PLC ordinary shares at 282 pence per new Barclays PLC ordinary share to Qatar Investment Authority, Challenger, China Development Bank, Temasek Holdings (Private) Limited and certain leading institutional shareholders and other investors, which shares were available for clawback in full by means of an open offer to existing shareholders. Pursuant to such open offer, existing shareholders were offered the opportunity to subscribe for up to a maximum of their pro rata entitlement on the basis of three open offer shares for every 14 existing ordinary shares they held.

The firm placing of 169 million new Barclays PLC ordinary shares was completed on 4 July 2008 and the placing and open offer was completed on 22 July 2008. Valid applications under the open offer were received from qualifying shareholders in respect of approximately 267 million Barclays PLC shares in aggregate, representing 19.0 per cent. of the Barclays PLC shares offered pursuant to the open offer. Accordingly, the remaining 1,140,310,966 Barclays PLC shares were allocated to the various investors with whom they had been conditionally placed.

## *Other*

On 8 July 2008 the Group announced it would close its FirstPlus unit to new business in August 2008.

### *Competition and regulatory matters*

The scale of regulatory change remains challenging, arising in part from the implementation of some key EU directives. Many changes to financial services legislation and regulation have come into force in recent years and further changes will take place in the near future. Concurrently, there is continuing political and regulatory scrutiny of the operation of the retail banking and consumer credit industries in the UK and elsewhere. The nature and impact of future changes in policies and regulatory action are not predictable and beyond the Group's control but could have an impact on the Group's businesses and earnings. In June 2005, an inquiry into retail banking in all of the then 25 Member States was launched by the European Commission's Directorate General for Competition. The inquiry looked at retail banking in Europe generally. In January 2007, the European Commission announced that the inquiry had identified barriers to competition in certain areas of retail banking, payment cards and payment systems in the EU. The European Commission indicated it will use its powers to address these barriers, and will encourage national competition authorities to enforce European and national competition laws where appropriate. Any action taken by the European Commission and national competition authorities could have an impact on the payment cards and payment systems businesses of the Group and on its retail banking activities in the EU countries in which it operates.

In September 2005, the OFT received a super-complaint from the Citizens Advice Bureau relating to payment protection insurance ("PPI"). As a result, the OFT commenced a market study on PPI in April 2006. In October 2006, the OFT announced the outcome of the market study and the OFT referred the PPI market to the UK Competition Commission for an in-depth inquiry in February 2007. In June 2008, the Competition Commission published its provisional findings, in which it indicated that there was a lack of competition in the UK PPI market, and consulted on those findings and a list of possible remedies. On 13 November 2008, the Competition Commission issued for consultation its provisional decision on remedies and currently intends to publish its final report by the statutory deadline of 6 February 2009. In October 2006, the FSA also published the outcome of its broad industry thematic review of PPI sales practices in which it concluded that some firms fail to treat customers fairly and that the FSA would strengthen its actions against such firms. Tackling poor PPI sales practices remains a priority for the FSA, with their most recent update on their thematic work published in September 2008. The Group has cooperated fully with these investigations and reviews and will continue to do so.

The OFT has carried out investigations into Visa and MasterCard credit card interchange rates. The decision by the OFT in the MasterCard interchange case was set aside by the Competition Appeals Tribunal in June 2006. The OFT's investigation in the Visa interchange case and a second MasterCard interchange case are ongoing. The outcome is not known but these investigations may have an impact on the consumer credit industry in general and therefore on the Group's business in this sector. In February 2007, the OFT announced that it was expanding its investigation into interchange rates to include debit cards.

In April 2007, the UK consumer interest association known as Which? submitted a super-complaint to the OFT pursuant to the Enterprise Act 2000. The super-complaint criticises the various ways in which credit card companies calculate interest charges on credit card accounts. In June 2007, the OFT announced a new programme of work with the credit card industry and consumer bodies in order to make the costs of credit cards easier for consumers to understand. This OFT decision follows the receipt by the OFT of the super-complaint from Which?. This new work will explore the issues surrounding the costs of credit for credit cards including purchases, cash advances, introductory offers and payment allocation. On 11 February 2008, the OFT announced its recommendations, which include the introduction of an FSA price comparison website, improvements to customer information in summary boxes and the use of standard terminology.

In September 2006, the OFT announced that it had decided to undertake a fact find on the application of its statement on credit card fees to current account unauthorised overdraft fees. The fact find was completed in March 2007. On 29 March 2007, the OFT announced its decision to conduct a formal investigation into the fairness of bank current account charges. The OFT initiated a market study into personal current accounts ("PCAs") in the UK on 26 April 2007. The study's focus was PCAs but it also included an examination of other retail banking products, in particular savings accounts, credit cards, personal loans and mortgages in

order to take into account the competitive dynamics of UK retail banking. On 16 July 2008, the OFT published its market study report, in which it concluded that certain features of the UK PCA market were not working well for consumers. The OFT reached the provisional view that some form of regulatory intervention is necessary in the UK PCA market. On 16 July 2008, the OFT also announced a consultation to seek views on the findings and possible measures to address the issues raised in its report. The consultation period closed on 31 October 2008. The Group has participated fully in the market study process and will continue to do so.

US laws and regulations require compliance with US economic sanctions, administered by the Office of Foreign Assets Control, against designated foreign countries, nationals and others. HM Treasury regulations similarly require compliance with sanctions adopted by the UK Government. The Group has been conducting an internal review of its conduct with respect to US dollar payments involving countries, persons and entities subject to these sanctions and has been reporting to governmental authorities about the results of that review. The Group received inquiries relating to these sanctions and certain US dollar payments processed by its New York branch from the New York County District Attorney's Office and the US Department of Justice, which along with other authorities, has been reported to be conducting investigations of sanctions compliance by non-US financial institutions. The Group has responded to those inquiries and is cooperating with the regulators, the Department of Justice and the District Attorney's Office in connection with their investigations of the Group's conduct with respect to sanctions compliance. The Group has also been keeping the FSA informed of the progress of these investigations and the Group's internal review. The Group's review is ongoing. It is currently not possible to predict the ultimate resolution of the issues covered by the Group's review and the investigations, including the timing and potential financial impact of any resolution, which could be substantial.

#### **Directors**

The Directors of the Issuer, each of whose business address is 1 Churchill Place, London E14 5HP, 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>
Marcus Agius	Chairman	Non-Executive Director, British Broadcasting Corporation
John Varley	Group Chief Executive	Non-Executive Director, AstraZeneca PLC
Chris Lucas	Group Finance Director	—
Robert E Diamond Jr	President, Barclays PLC, Chief Executive, Investment Banking and Investment Management	Chairman, Old Vic Productions PLC
Frederik (Frits) Seegers	Chief Executive, Global Retail and Commercial Banking	—
Sir Nigel Rudd DL	Deputy Chairman, Non-Executive Director	Chairman, Pendragon PLC, Non-Executive Director, BAE Systems plc, Chairman, BAA Limited
Sir Richard Broadbent	Senior Independent Director and Non-Executive Director	Chairman, Arriva plc
David Booth	Non-Executive Director	East Ferry Investors LLC
Leigh Clifford	Non-Executive Director	Chairman, Qantas Airways Limited
Fulvio Conti	Non-Executive Director	Chief Executive Officer, Enel

<i>Name</i>	<i>Function(s) within the Group</i>	<i>Principal outside activities</i>
		SpA, Director, AON Corporation
Professor Dame Sandra Dawson	Non-Executive Director	KPMG Professor of Management Studies at the University of Cambridge
Sir Andrew Likierman	Non-Executive Director	Professor of Management Practice in Accounting, London Business School, Non-Executive Director, Bank of England
Sir Michael Rake	Non-Executive Director	Chairman, BT Group PLC, Director, McGraw-Hill Companies, Director, Financial Reporting Council
Stephen Russell	Non-Executive Director	Non-Executive Director, Network Rail Limited
Sir John Sunderland	Non-Executive Director	Director, Financial Reporting Council
Patience Wheatcroft	Non-Executive Director	Non-Executive Director, Shaftesbury PLC

No potential conflicts of interest exist between any duties to the Issuer of the Board of Directors listed above and their private interests or other duties.

### **Employees**

The average number of persons employed by the Group worldwide during 2007, excluding agency staff, was 128,900 (2006: 118,600).

## INTERIM MANAGEMENT STATEMENT

Paragraphs 1 and 2 below set out the full text of the (unaudited) Interim Management Statement released by the Holding Company on 31 October 2008<sup>1</sup>.

### 1. SUMMARY

#### *Group Performance*

Group profit before tax for the nine months ended 30 September 2008 was slightly ahead of 2007. Income growth was strong, and costs grew broadly in line with the rate of income growth. Impairment charges grew at a similar rate to the first half of the year. Third quarter 2008 results included a preliminary estimate of the net benefits arising on the acquisition of Lehman Brothers North American investment banking and capital markets businesses; and net losses from credit market writedowns of £129m, comprising writedowns of £1.2bn offset by £1.1bn gains on the fair valuation of issued notes.

#### *Business Commentary*

##### *Global Retail and Commercial Banking*

Profit before tax in Global Retail and Commercial Banking was ahead of 2007. Strong income growth reflected good progress in the UK businesses, and continued expansion outside the UK. The rate of cost growth was broadly in line with the rate of income growth. Impairment charges grew at a faster pace than in the first half, driven by both strong asset growth, and deteriorating macroeconomic factors.

There was good growth in profit before tax at UK Retail Banking. Solid income growth reflected good performances in Current Accounts, Savings and Local Business as customer deposits increased. Operating expenses were well controlled and remained in line with last year. Barclays share of net new mortgages in the third quarter was 32%. Impairment charges were broadly in line with the first half.

Barclays Commercial Bank saw good growth in income. There was a moderate decline in profit before tax resulting from higher costs and impairment. Cost growth reflected investment in people and infrastructure, lower property credits and higher operating lease depreciation. Higher impairment charges were driven by a more challenging UK corporate credit outlook.

There was very strong growth in profit before tax at Barclaycard. Very strong income growth reflected progress in Barclaycard US and the inclusion of Goldfish in the UK. Cost growth was broadly in line with income growth. Impairment charges grew at a faster rate than the first half reflecting Barclaycard US book growth, the inclusion of Goldfish and the deteriorating retail environment in the US and South Africa.

Global Retail and Commercial Banking - Western Europe income and cost growth rates were consistent with the trends in the first half of the year, with very strong income growth and significant investment in the expansion of the franchise. Profit before tax declined as a result of higher impairment charges, principally in Spain.

Income, cost and impairment growth trends at Global Retail and Commercial Banking - Emerging Markets were consistent with the first half resulting in lower profit before tax. This reflected very strong income growth and continued investment in distribution points and infrastructure across all regions, and expansion into new markets. Impairment growth was driven by rapid growth in assets and some deterioration in retail and corporate lending books.

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<sup>1</sup> Key trends in the income statement set out above, unless stated otherwise, relate to the nine months to 30 September 2008, and are compared to the corresponding nine months of 2007. Balance sheet references relate to 30 September 2008 and are compared to the balance sheet as at 31 December 2007.

Trends in income are expressed after the deduction of net claims and benefits on insurance contracts.

This financial information on which this interim management statement is based, and the credit market exposures set out in Paragraph 2, have been prepared in accordance with Barclays previously stated accounting policies, and apply the valuation methodologies described in the Interim Results published on 7 August 2008.

Global Retail and Commercial Banking - Absa profit before tax remained broadly in line with last year despite challenging market conditions and the depreciation of the Rand. Good income growth and well-controlled costs were broadly offset by increased retail impairment.

#### *Investment Banking and Investment Management*

Barclays Capital profit before tax was well ahead of last year. The underlying business recorded strong growth in interest rate products, emerging markets, commodities, prime services and private equity. The third quarter results also included the following specific items: a preliminary estimate of the net benefits arising on the acquisition of the Lehman Brothers businesses; and net losses from credit market writedowns of £129m, comprising writedowns of £1.2bn offset by £1.1bn gains on the fair valuation of issued notes. Excluding these specific items, net income for the nine months to end of September was well ahead of last year. Exposures related to the credit market dislocation continue to be actively managed and are set out in the Appendix to this statement, including the impact of relevant Lehman Brothers assets acquired.

Barclays Global Investors income was broadly in line with last year. Cost growth reflected a small increase in support for selected liquidity products leading to a rate of decrease in profit before tax consistent with the first half of the year. Assets under management reduced relative to the level of 30 June 2008 as the impact of asset inflows, particularly in ETFs, was more than offset by the lower equity market valuations.

Barclays Wealth profit before tax was in line with the prior year. Solid income growth reflected higher net interest income resulting from increased customer deposits and loans. Solid net client inflows were more than offset by the impact of the falling equity market. Costs remained broadly stable. The sale of the closed life assurance book is due to complete in Q4 2008.

#### *Head Office Functions and Other Operations*

The loss before tax in Head Office and Other Operations increased reflecting higher debt service costs, fees for equity raising, and increased costs related to an internal review of compliance with US economic sanctions.

#### *October Trading*

October trading has been generally consistent with the trends reported in this statement, although capital market volumes have been lower than in September. The integration of Lehman Brothers has progressed well. Credit spreads narrowed substantially leading to a reversal of £1bn gains on the fair valuation of issued notes. On 20 October 2008 Global Retail and Commercial Banking also received a distribution from the Visa IPO amounting to approximately £190m.

#### *Capital*

Excluding the impact of the capital raisings announced today, we expect our Tier 1 capital and equity Tier 1 ratios at 31 December 2008 to be broadly in line with the 30 June 2008 pro-forma ratios of 9.1% and 6.3% respectively.

## **2. CREDIT MARKET EXPOSURES**

Barclays Capital's credit market exposures resulted in net losses of £2,108m in the first nine months of 2008, due to continuing dislocation in the credit markets. The net losses, which included £1,560m in impairment charges, comprised: £1,345m against ABS CDO Super Senior exposures; and £2,714m against other credit market exposures; partially offset by gains of £ 1,951m from the general widening of credit spreads on issued notes measured at fair value through the profit and loss account.

Exposures have been actively managed in the third quarter of 2008. This is reflected in movements in exposures set out below, which have also been impacted by a 12% appreciation of the US dollar against sterling since 30 June 2008 and the inclusion of £1.0bn of securities from the acquisition of Lehman Brothers North American investment banking and capital markets businesses.

	Notes	Pro-forma <sup>(1)</sup>		Net Exposures
		As at 30.09.08	As at 30.06.08	As at 31.12.07
		£m	£m	£m
<b>ABS CDO Super Senior</b> .....	A	<b>3,086</b>	<b>3,229</b>	<b>4,671</b>
<b>Other US sub-prime</b> .....				
- Other US sub-prime .....		3,063	3,258	5,037
- Whole loan sales post period end .....		-	(828)	-
<b>Net Other US sub-prime</b> .....	B	<b>3,063</b>	<b>2,430</b>	<b>5,037</b>
Alt-A .....	C	3,719	3,510	4,916
Monoline insurers .....	D	3,558	2,584	1,335
SIVs and SIV-Lites .....	E	1,066	429	784
Commercial mortgages .....	F	11,520	10,988	12,399
<b>Leveraged finance</b> .....				
- Net lending and commitments .....		7,539	7,326	7,368
- Contingent repayment .....		(2,506)	(2,306)	-
<b>Net leveraged finance</b> .....	G	<b>5,033</b>	<b>5,020</b>	<b>7,368</b>

Notes:

<sup>(1)</sup> The above table includes net exposures as at 30 September 2008 less reductions totalling £2,506m (30 June 2008 £3,134m) that are expected to complete in the final quarter of 2008.

(i) ABS CDO Super Senior

Net ABS CDO Super Senior exposures were £3,086m (30 June 2008: £3,229m). Net exposures are stated after write-downs and charges of £1,345m incurred in 2008 (30 June 2008: £875m) and hedges of £229m (30 June 2008: £204m).

ABS CDO Super Senior high grade exposure of £3,025m comprised liquidity facilities which were fully drawn and classified within loans and receivables. ABS CDO Super Senior mezzanine exposure of £290m (£61m net of hedges) comprised undrawn commitments. The marks applied to the notional collateral are set out in the table below:

Mix of ABS Super Senior Notional Collateral	As at 30.09.08			As at 30.06.08		
	High Grade	Mezzanine	Total	Marks <sup>1</sup>	Total	Marks <sup>1</sup>
	£m	£m	£m	%	£m	%
2005 and earlier .....	1,038	384	1,422	71%	1,306	76%
2006 .....	644	34	678	19%	607	30%
2007 and 2008 .....	20	37	57	45%	51	49%
<b>Sub-prime</b> .....	<b>1,702</b>	<b>455</b>	<b>2,157</b>	<b>54%</b>	<b>1,964</b>	<b>61%</b>
2005 and earlier .....	753	66	819	77%	740	83%
2006 .....	512	41	553	57%	502	78%
2007 and 2008 .....	51	8	59	39%	53	56%
Alt-A .....	1,316	115	1,431	68%	1,295	80%
Prime .....	645	82	727	87%	657	98%
RMBS CDO .....	332	56	388	0%	368	0%
Sub-prime second lien .....	115	-	115	0%	118	0%
<b>Total RMBS</b> .....	<b>4,110</b>	<b>708</b>	<b>4,818</b>	<b>57%</b>	<b>4,402</b>	<b>65%</b>
CMBS .....	135	126	261	65%	234	87%
Non-RMBS CDO .....	468	17	485	47%	441	54%
CLOs .....	29	20	49	79%	44	76%
Other ABS <sup>2</sup> .....	109	19	128	90%	110	100%
<b>Total other ABS<sup>2</sup></b> .....	<b>741</b>	<b>182</b>	<b>923</b>	<b>60%</b>	<b>829</b>	<b>69%</b>
<b>Total notional collateral</b> .....	<b>4,851</b>	<b>890</b>	<b>5,741</b>	<b>58%</b>	<b>5,231</b>	<b>66%</b>
Subordination .....	(479)	(357)	(836)		(755)	
<b>Gross exposure pre impairment</b> .....	<b>4,372</b>	<b>533</b>	<b>4,905</b>		<b>4,476</b>	
Impairment .....	(1,347)	(243)	(1,590)		(1,043)	
Hedges .....	—	(229)	(229)		(204)	
<b>Net exposure</b> .....	<b>3,025</b>	<b>61</b>	<b>3,086</b>		<b>3,229</b>	
<b>Collateral marks including liquidated structures</b> .....				<b>38%</b>		<b>44%</b>

Notes:

<sup>1</sup> Marks above reflect the gross exposure after impairment and subordination and do not include the benefit of hedges.

<sup>2</sup> 30 June 2008 marks have been restated.

ABS CDO Super Senior high grade and mezzanine exposure as at 31 December 2007 included exposures which contained or comprised a derivative at inception. These derivative exposures, which were measured at fair value through profit and loss, were liquidated or consolidated in 2008. The notional collateral of ABS CDOs liquidated or consolidated in 2008 was £4.8bn.

Collateral and hedges related to liquidated and consolidated exposures remaining at 30 September 2008 are stated at fair value net of hedges within 'Other US sub-prime' exposures below. The valuation for such collateral at 30 September 2008 is approximately 14% (30 June 2008: 17%). The collateral valuation for all ABS CDO Super Senior deals, including those liquidated and consolidated in 2008, was approximately 38% (30 June 2008: 44%).

Hedges of £229m (30 June 2008: £204m) comprise trades in the liquid index swap market with market counterparties. The counterparty exposure is managed through a standard derivative collateralisation process. None of the hedge counterparties are monoline insurers.

The collateral for the outstanding ABS CDO Super Senior exposures primarily comprises residential mortgage backed securities (RMBS). Within this the majority of the sub-prime and Alt-A collateral was originated in 2005 or earlier with minimal exposure to 2007 or later. The vintages of the sub-prime, Alt-A and US RMBS collateral are set out in the table below.

Sub-prime Collateral by Vintage	As at 30.09.08	As at 30.06.08	As at 31.12.07
2005 and earlier .....	66%	66%	54%
2006 .....	31%	31%	40%
2007 and 2008 .....	3%	3%	6%
<b>Alt-A Collateral by Vintage</b> .....			
2005 and earlier .....	57%	57%	49%
2006 .....	39%	39%	40%
2007 and 2008 .....	4%	4%	11%
<b>US RMBS Collateral by Vintage</b> .....			
2005 and earlier .....	58%	58%	52%
2006 .....	39%	39%	41%
2007 and 2008 .....	3%	3%	7%

RMBS collateral for the ABS CDO Super Senior exposures is subject to public ratings. The ratings of sub-prime, Alt-A and total RMBS CDO collateral as at 30 September 2008 are set out in the table below.

Sub-prime RMBS Ratings	High Grade	Mezzanine	Total
AAA/AA .....	48%	4%	39%
A/BBB.....	16%	42%	22%
Non-investment Grade.....	36%	54%	39%
<b>Alt-A RMBS Ratings</b>	<b>High Grade</b>	<b>Mezzanine</b>	<b>Total</b>
AAA/AA .....	84%	39%	80%
A/BBB.....	6%	24%	8%
Non-investment Grade.....	10%	37%	12%
<b>Total RMBS Ratings</b>	<b>High Grade</b>	<b>Mezzanine</b>	<b>Total</b>
AAA/AA .....	64%	18%	55%
A/BBB.....	12%	35%	16%
Non-investment Grade.....	24%	47%	29%

(ii) **Other US Sub-Prime**

	As at 30.09.08	Pro- forma <sup>1</sup> 30.06.08	As at 31.12.07	Marks at 30.09.08	Marks at 30.06.08	Marks at 31.12.07
	£m	£m	£m			
Whole loans - performing.....	1,401	2,145	2,805	82%	84%	100%
Whole loans - more than 60 days past due.....	245	272	372	44%	50%	65%
<b>Total whole loans</b> .....	<b>1,646</b>	<b>2,417</b>	<b>3,177</b>	<b>72%</b>	<b>78%</b>	<b>94%</b>
Sales post period end.....	-	(828)	-			
<b>Net exposure</b> .....	<b>1,646</b>	<b>1,589</b>	<b>3,177</b>	<b>72%</b>	<b>78%</b>	<b>94%</b>
AAA securities .....	517	360	481	49%	54%	88%
Other US sub-prime securities .....	412	418	525	12%	34%	61%
<b>Total securities gross of hedges</b> .....	<b>929</b>	<b>778</b>	<b>1,006</b>	<b>21%</b>	<b>42%</b>	<b>71%</b>
Hedges .....	(206)	(689)	(369)			
Securities net of hedges.....	723	89	637			
Residuals.....	0	30	233	0%	3%	24%

	As at 30.09.08	Pro- forma <sup>1</sup> 30.06.08	As at 31.12.07	Marks at 30.09.08	Marks at 30.06.08	Marks at 31.12.07
	<i>£m</i>	<i>£m</i>	<i>£m</i>			
Other exposures with underlying sub-prime collateral:.....						
- Derivatives .....	260	290	333	83%	93%	100%
- Loans/other.....	338	347	600	75%	80%	100%
- Real estate .....	96	85	57	49%	53%	68%
<b>Total other direct and indirect exposure .....</b>	<b>1,417</b>	<b>841</b>	<b>1,860</b>			
<b>Total other US sub-prime .....</b>	<b>3,063</b>	<b>2,430</b>	<b>5,037</b>			

Notes:

<sup>1</sup> Pro-forma exposure represents net exposures as at 30 June 2008 less material sales agreed.

The majority of other US sub-prime exposures are measured at fair value through profit and loss.

Whole loans included £1,497m (30 June 2008: £2,279m) acquired on or originated since the acquisition of EquiFirst in March 2007. Of this balance £415m of new loans were originated in 2008. At 30 September 2008 the average loan to value at origination of all of the sub-prime whole loans was 80%.

In the nine months to 30 September 2008 there were net sales, pay-downs of collateral and movements in hedges and in US sub-prime collateral of liquidated and consolidated ABS CDO Super Senior structures of approximately £1,258m. This excludes the impact of assets acquired from Lehman Brothers.

Included above are senior AAA securities of £44m (30 June 2008: £44m) held by consolidated conduits on which a mark to market loss of £16m has been recognised in equity in the nine months to 30 September 2008. This is expected to reverse over time. The securities have protection provided by subordination of 16%.

Exposure is stated net of hedges traded in the liquid index swap market with market counterparties. The counterparty exposure is managed through a standard derivative collateralisation process and none of the hedge counterparties are monoline insurers.

Other exposures with underlying sub-prime collateral include counterparty derivative exposures to vehicles which hold sub-prime collateral. The majority of this exposure is the most senior obligation of the vehicles.

The 30 September 2008 figures include assets acquired from Lehman Brothers of £92m in AAA securities and £108m in other US sub-prime securities.

### (iii) Alt-A

Net exposure to the Alt-A market was £3,719m (30 June 2008: £3,510m), through a combination of whole loans, securities and residuals held on the balance sheet, including those held in consolidated conduits.

	As at 30.09.08	As at 30.06.08	As at 31.12.07	Marks at 30.09.08	Marks at 30.06.08	Marks at 31.12.07
	<i>£m</i>	<i>£m</i>	<i>£m</i>			
AAA securities .....	1,877	2,322	3,442	51%	69%	87%
Other Alt-A securities.....	814	149	208	7%	30%	75%
Whole Loans.....	680	716	909	73%	80%	97%
Residuals.....	11	13	25	31%	40%	66%
Other exposures with underlying Alt-A collateral: .....						
- Derivatives .....	202	184	221	100%	100%	100%
- Loans/other.....	135	126	111	73%	76%	97%
<b>Total .....</b>	<b>3,719</b>	<b>3,510</b>	<b>4,916</b>			

Alt-A securities, whole loans and residuals are measured at fair value through profit and loss. Alt-A securities held in conduits are categorised as available for sale.

Included above are senior securities currently rated AAA of £540m (30 June 2008: £598m) held by consolidated conduits on which a mark to market loss of £197m has been recognised in equity in the nine

months to 30 September 2008. This is expected to reverse over time. The securities have protection provided by subordination of 23%.

At 30 September 2008, 89% of the Alt-A whole loan exposure was performing, and the average loan to value ratio at origination was 84%.

In the nine months to 30 September 2008 there were net sales, paydowns of collateral and movements in Alt-A collateral of liquidated and consolidated ABS CDO Super Senior structures of approximately £786m. This excludes the impact of assets acquired from Lehman Brothers.

Other exposures with underlying Alt-A collateral include counterparty derivative exposures to vehicles which hold Alt-A collateral. The majority of this exposure is the most senior obligation of the vehicle.

The 30 September 2008 figures include assets acquired from Lehman Brothers of £33lm in AAA securities and £21 lm in other Alt-A securities.

(iv) **Monoline Insurers**

Assets are held with insurance protection or other credit enhancements from monoline insurers. Declines in fair value of the underlying assets are reflected in increases in the value of potential claims on monoline insurers. These are measured at fair value through profit and loss.

The net exposure to monoline insurers under these contracts increased to £3,558m by 30 September 2008 (30 June 2008: £2,584m) reflecting declines in fair value of the underlying asset on existing contracts. There have been no claims under these contracts as none of the underlying assets were in default at 30 September 2008.

At 30 September 2008, 67% of the underlying assets comprised collateralised loan obligations (CLOs), 10% US RMBS and 23% other collateral, primarily US CMBS. 94% of the underlying assets are rated AAA/AA at 30 September 2008.

Exposure by Credit Rating of Monoline Insurer	As at 30.09.08				
	Notional	Fair Value of Underlying Asset	Fair Value Exposure	Credit Reserve	Net Exposure
	£m	£m	£m	£m	£m
AAA/AA.....	11,615	9,991	1,624	(120)	1,504
A/BBB.....	5,840	3,949	1,891	(373)	1,518
Non-investment Grade.....	5,568	4,917	651	(115)	536
<b>Total</b> .....	<b>23,023</b>	<b>18,857</b>	<b>4,166</b>	<b>(608)</b>	<b>3,558</b>

Exposure by Credit Rating of Monoline Insurer	As at 30.06.08				
	Notional	Fair Value of Underlying Asset	Fair Value Exposure	Credit Reserve	Net Exposure
	£m	£m	£m	£m	£m
AAA/AA.....	10,738	9,587	1,151	(98)	1,053
A/BBB.....	5,592	4,193	1,399	(242)	1,157
Non-investment Grade.....	5,151	4,684	467	(93)	374
<b>Total</b> .....	<b>21,481</b>	<b>18,464</b>	<b>3,017</b>	<b>(433)</b>	<b>2,584</b>

Exposure by Credit Rating of Monoline Insurer	As at 31.12.07				
	Notional	Fair Value of Underlying Asset	Fair Value Exposure	Credit Reserve	Net Exposure
	£m	£m	£m	£m	£m
AAA/AA.....	21,573	20,179	1,394	(59)	1,335

The notional value of the assets wrapped with insurance protection are set out below, analysed by the current rating of the monoline. Of the US RMBS assets, 97% are protected by monolines with investment grade ratings as at 30 September 2008.

Notional Assets Wrapped by Monoline Insurers	Rating of Monoline Insurer - As at 30.09.08			
	AAA/AA	A/BBB	Non-investment grade	Total
	£m	£m	£m	£m
2005 and earlier .....	125	-	-	125
2006 .....	398	625	-	1,023
2007 and 2008 .....	-	417	-	417
<b>High Grade</b> .....	<b>523</b>	<b>1,042</b>	-	<b>1,565</b>
Mezzanine - 2005 and earlier .....	-	528	63	591
CDO2 - 2005 and earlier .....	41	-	-	41
<b>US RMBS</b> .....	<b>564</b>	<b>1,570</b>	<b>63</b>	<b>2,197</b>
CMBS .....	56	2,673	348	3,077
CLOs .....	9,634	864	4,909	15,407
Other .....	1,361	733	248	2,342
<b>Total</b> .....	<b>11,615</b>	<b>5,840</b>	<b>5,568</b>	<b>23,023</b>

Notional Assets Wrapped by Monoline Insurers	Rating of Monoline Insurer - As at 30.06.08			
	AAA/AA	A/BBB	Non-investment grade	Total
	£m	£m	£m	£m
2005 and earlier .....	112	-	-	112
2006 .....	359	562	-	921
2007 and 2008 .....	-	374	-	374
<b>High Grade</b> .....	<b>471</b>	<b>936</b>	-	<b>1,407</b>
Mezzanine - 2005 and earlier .....	-	508	63	571
CDO2 - 2005 and earlier .....	38	-	-	38
US RMBS .....	509	1,444	63	2,016
CMBS .....	50	2,392	311	2,753
CLOs .....	8,801	1,050	4,555	14,406
Other .....	1,378	706	222	2,306
<b>Total</b> .....	<b>10,738</b>	<b>5,592</b>	<b>5,151</b>	<b>21,481</b>

(v) **SIVs/SV Lites**

SIVs/SIC-lites	As at	As at	As at	Marks at	Marks at	Marks at
	30.09.08	30.06.08	31.12.07	30.09.08	30.06.08	31.12.07
	£m	£m	£m	%	%	%
Liquidity facilities .....	611	176	466	66%	78%	100%
Bond inventory .....	9	35	52	8%	23%	37%
Derivatives .....	446	218	266	99%	98%	100%
<b>Total</b> .....	<b>1,066</b>	<b>429</b>	<b>784</b>			

At 30 September 2008 liquidity facilities of £611m (30 June 2008: £176m) include £482m designated at fair value through profit and loss relating to a SIV-lite which had previously been hedged with Lehman Brothers. Following the Lehman Brothers bankruptcy filing this facility has been reflected as a new exposure to the underlying assets. The remaining £129m represents drawn liquidity facilities in respect of SIV-lites and other structured investment vehicles classified as loans and receivables and are stated at cost less impairment.

Bond inventory and derivatives exposures are fair valued through profit and loss.

Movement in derivative exposure primarily relates to CDS exposure with financial institutions as reference entities. At 30 September 2008 exposure had increased to £446m (30 June 2008: £218m). The increase is driven by the widening of credit spreads against all financial institutions which occurred at the end of September 2008.

(vi) **Commercial Mortgages**

Exposures in Barclays Capital's commercial mortgages portfolio, all of which are measured at fair value, comprised commercial real estate exposure of £10,335m (30 June 2008: £10,354m) and commercial mortgage-backed securities (CMBS) of £1,185m (30 June 2008: £634m).

The commercial real estate loan exposure comprises 55% US, 42% Continental Europe and UK and 3% Asia. Of the total exposure 91% is tenanted; 6% relates to land or property under construction.

The US exposure includes two large facilities which comprise 43% of the total US exposure. These facilities have paid down approximately £768m in the first nine months of 2008. The remaining 57% of the US exposure comprises 76 facilities.

The UK and Continental European portfolio is well diversified with 76 facilities in place at 30 September 2008. In Europe protection is provided by loan covenants and annual LTV retests, which cover 90% of the portfolio. Of the Continental European exposure 61% relates to Germany. Exposure to the Spanish market represents less than 1% of total exposure at 30m September 2008.

At the start of the year exposure increased through additional drawdowns on facilities. Exposure subsequently declined following sales and pay downs of approximately £1.0bn in the UK and Continental Europe and £1.6bn in the US.

Commercial Mortgages	As at 30.09.08	As at 30.06.08	As at 31.12.07
	£m	£m	£m
Commercial real estate .....	10,335	10,354	11,103
Commercial mortgage-backed securities .....	1,185	634	1,296
<b>Total</b> .....	<b>11,520</b>	<b>10,988</b>	<b>12,399</b>

Commercial Real Estate Exposure by Region	As at 30.09.08	As at 30.06.08	As at 31.12.07	Marks at 30.09.08	Marks at 30.06.08	Marks at 31.12.07
	£m	£m	£m	%	%	%
US .....	5,675	5,558	5,947	95%	96%	99%
Germany .....	2,079	2,153	1,783	98%	98%	100%
Sweden.....	251	269	250	99%	100%	100%
France .....	229	226	289	97%	95%	100%
Switzerland .....	142	137	127	100%	98%	100%
Spain .....	91	92	89	96%	97%	100%
Other Continental Europe.....	629	656	779	99%	97%	100%
UK.....	894	925	1,422	95%	97%	100%
Asia .....	345	338	417	99%	99%	100%
<b>Total</b> .....	<b>10,335</b>	<b>10,354</b>	<b>11,103</b>			

Commercial Real Estate Exposure Metrics	WALTV <sup>1</sup>	WAM <sup>2</sup>	WALA <sup>3</sup>
US .....	71.2%	1.5 yrs	1.4 yrs
Continental Europe.....	79.8%	4.8 yrs	1.3 yrs
UK.....	73.1%	6.0 yrs	1.6 yrs
Asia .....	78.7%	5.9 yrs	1.1 yrs

Notes

<sup>1</sup> Weighted-average loan-to-value based on the most recent valuation.

<sup>2</sup> Weighted-average number of years to initial maturity.

<sup>3</sup> Weighted-average loan age

## As at 30.09.08

Commercial Real Estate Exposure by Industry	US	Continental Europe	UK	Asia	Total
	£m	£m	£m	£m	£m
Office .....	2,361	1,093	212	103	3,769
Residential .....	1,356	1,074	244	93	2,767
Retail .....	51	560	110	83	804
Hotels .....	857	396	35	19	1,307
Leisure .....	-	-	253	-	253
Land .....	149	-	-	-	149
Industrial .....	468	217	40	10	735
Mixed/Others .....	408	81	-	37	526
Hedges .....	25	-	-	-	25
<b>Total .....</b>	<b>5,675</b>	<b>3,421</b>	<b>894</b>	<b>345</b>	<b>10,335</b>

Commercial Securities (net of hedges)	As at 30.09.08	As at 30.06.08	Ass at 31.12.07	Marks at 30.09.08 <sup>(1)</sup>	Marks at 30.06.08 <sup>(1)</sup>	Marks at 31.12.07 <sup>(1)</sup>
	£m	£m	£m	%	%	%
AAA Securities .....	791	543	1,008			
Other Securities .....	394	91	288			
<b>Total .....</b>	<b>1,185</b>	<b>634</b>	<b>1,296</b>	<b>24%</b>	<b>68%</b>	<b>98%</b>

<sup>(1)</sup> Marks are based on gross collateral.

Exposure is stated net of hedges traded in the liquid swap market with market counterparties. The counterparty exposure is managed through a standard derivative collateralisation process and none of the hedge counterparties are monoline insurers.

The 30 September 2008 figures include assets acquired from Lehman Brothers of £31m in AAA securities and £190m in other securities.

#### (vii) Leveraged Finance

At 30 September 2008, the exposure relating to leveraged finance loans originated prior to 30 June 2007 was £9,489m (30 June 2008: £9,217m). This includes original targeted holds at commitment date of £1,781m (30 June 2008: £1,722m). Barclays Capital expects to hold these leveraged finance positions until redemption. Leveraged loans are classified within loans and receivables and are stated at amortised cost less impairment. The credit performance of the assets remains satisfactory.

Leveraged Finance Exposure by Region	Pro-forma <sup>(1)</sup> 30.09.08	Pro-forma <sup>(1)</sup> 30.06.08	As at 31.12.07
	£m	£m	£m
UK .....	4,733	4,436	4,401
US .....	3,197	2,961	3,037
Europe .....	1,356	1,609	1,568
Asia .....	203	211	211
<b>Total lending and commitments .....</b>	<b>9,489</b>	<b>9,217</b>	<b>9,217</b>
Original targeted hold .....	(1,781)	(1,722)	(1,659)
Unrecognised fees .....	(169)	(169)	(190)
<b>Net lending and commitments .....</b>	<b>7,539</b>	<b>7,326</b>	<b>7,368</b>
Contingent repayment .....	(2,506)	(2,306)	-
<b>Net exposure .....</b>	<b>5,033</b>	<b>5,020</b>	<b>7,368</b>

Notes:

<sup>1</sup> Pro-forma represents exposures as at 30 September 2008 less leveraged finance loans of £2,506m that have become subject to an announced intention to be repaid at par. This transaction is contingent upon regulatory approvals and is likely to be completed in the fourth quarter of 2008.

Leveraged Finance Exposure by Industry	As at 30.09.08		
	Drawn	Undrawn	Total
	£m	£m	£m
Insurance.....	2,479	97	2,576
Telecoms.....	2,457	179	2,636
Retail.....	875	107	982
Healthcare.....	592	172	764
Media.....	536	103	639
Services.....	498	151	649
Manufacturing.....	409	80	489
Chemicals.....	272	35	307
Other.....	285	162	447
<b>Total.....</b>	<b>8,403</b>	<b>1,086</b>	<b>9,489</b>

Leveraged Finance Exposure by Industry	As at 30.06.08			As at 31.12.07		
	Drawn	Undrawn	Total	Drawn	Undrawn	Total
	£m	£m	£m	£m	£m	£m;
Insurance.....	2,389	147	2,536	2,456	78	2,534
Telecoms.....	2,192	222	2,414	2,259	240	2,499
Retail.....	834	142	976	828	132	960
Healthcare.....	604	159	763	577	141	718
Media.....	489	130	619	469	127	596
Services.....	487	172	659	388	134	522
Manufacturing.....	385	97	482	371	125	496
Chemicals.....	287	37	324	46	286	332
Other.....	211	233	444	233	327	560
<b>Total.....</b>	<b>7,878</b>	<b>1,339</b>	<b>9,217</b>	<b>7,627</b>	<b>1,590</b>	<b>9,217</b>

New leveraged finance commitments originated after 30 June 2007 comprised £636m (30 June 2008: £1,275m)

(viii) **Own Credit**

The carrying amount of issued notes that are designated under the IAS 39 fair value option is adjusted to reflect the effect of changes in own credit spreads. The resulting gain or loss is recognised in the income statement.

At 30 September 2008, the own credit adjustment arose from the fair valuation of £56.6bn of Barclays Capital structured notes (30 June 2008: £48.1bn). The widening of Barclays credit spreads affected the fair value of these notes and as a result revaluation gains of £1,951m were recognised in trading income in the first nine months of 2008. Of this, £852m was recognised in the first half of 2008.

In October 2008, credit spreads narrowed substantially leading to a reversal of £1bn gains on the fair valuation of issued notes.

## UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma financial information set out below has been prepared to illustrate the effects of the Capital Raising as if it had occurred on 30 June 2008. In addition, the unaudited pro forma financial information illustrates the pro forma effect of the Firm Placing and Placing and Open Offer and the September Placing, both of which occurred subsequent to 30 June 2008.

The unaudited pro forma financial information has been prepared for illustrative purposes only, and because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position, risk weighted assets or regulatory capital ratios following the Firm Placing and Placing and Open Offer, the September Placing and the Capital Raising.

The unaudited pro forma financial information presented in the table below has been prepared on a basis consistent with the accounting policies of the Holding Company.

	Adjustments					Pro forma Barclays PLC (Group)
	Barclays PLC (Group)	Firm Placing and Placing and Open Offer	September Placing	Capital Raising		
				RCIs and Warrants	Mandatorily Convertible Notes	
	(£ million)	(£ million)	(£ million)	(£ million)	(£ million)	(£ million)
<b>Notes</b>	2	3	4	5,6	5,6	7,8
<b>Assets</b>						
Cash and other short-term funds .....	8,910	4,362	690	2,905	3,875	20,742
Trading portfolio and financial assets designated at fair value .....	303,811	-	-	-	-	303,811
Derivative financial instruments	400,009	-	-	-	-	400,009
Loans and advances to banks .....	54,514	-	-	-	-	54,514
Loans and advances to customers .....	395,467	-	-	-	-	395,467
Available for sale financial instruments	42,765	-	-	-	-	42,765
Reverse repurchase agreements and cash collateral on securities borrowed.....	139,955	-	-	-	-	139,955
Other assets	20,223	-	-	-	-	20,223
<b>Total assets</b>	<b>1,365,654</b>	<b>4,362</b>	<b>690</b>	<b>2,905</b>	<b>3,875</b>	<b>1,377,486</b>
<b>Liabilities</b>						
Deposits and items in the course of collection due to banks	92,735	-	-	-	-	92,735
Customer accounts	319,281	-	-	-	-	319,281
Trading portfolio and financial liabilities designated at fair value	142,202	-	-	-	-	142,202
Liabilities to customers under investment contracts	80,949	-	-	-	-	80,949
Derivative financial instruments	396,357	-	-	-	-	396,357
Debt securities in issue	115,739	-	-	-	224	115,963
Repurchase agreements and cash collateral on securities lent	146,895	-	-	-	-	146,895
Insurance contract liabilities, including unit-linked liabilities	3,679	-	-	-	-	3,679
Subordinated liabilities	21,583	-	-	2,130	-	23,713
Other liabilities	13,412	-	-	-	-	13,412
<b>Total liabilities</b>	<b>1,332,832</b>	<b>-</b>	<b>-</b>	<b>2,130</b>	<b>224</b>	<b>1,335,186</b>
<b>Net Assets</b>	<b>32,822</b>	<b>4,362</b>	<b>690</b>	<b>775</b>	<b>3,651</b>	<b>42,300</b>

Notes:

- The unaudited pro forma regulatory capital ratios of the Group before and immediately after the Firm Placing and Placing and Open Offer, the September Placing and the Capital Raising as if they had occurred on 30 June 2008 on a Basel II basis, and assuming that the full conversion of the MCNs had occurred on 30 June 2008, are set out below. No account has been taken of the impact of any future exercise of Warrants.

Notes	Adjustments					
	Barclays PLC (Group)	Capital Raising				Pro forma Barclays PLC (Group)
		Firm Placing and Open Offer	September Placing	RCIs and Warrants	Mandatorily Convertible Notes	
(£ million)	(£ million)	(£ million)	(£ million)	(£ million)	(£ million)	
	2	3,11	4, 11	6,9,11	6,9,11	7,8,10
Risk Weighted Assets .....	352,739	0	0	0	0	352,739
Equity Tier 1 Ratio .....	5.0%	1.2%	0.2%	0.2%	1.0%	7.7%
Tier 1 Ratio .....	7.9%	1.2%	0.2%	0.8%	1.0%	11.1%
Risk Asset Ratio.....	12.6%	1.2%	0.2%	0.8%	1.0%	15.9%

2. The financial information for the Holding Company as at 30 June 2008 has been extracted without material adjustments from the unaudited Interim Results Announcement as at and for the six months ended 30 June 2008.
3. The gross proceeds of the Firm Placing and Placing and Open Offer of £4,469m are shown net of issue costs of £107m. For more information on the Firm Placing and Placing and Open Offer, please refer to page 44 of this Prospectus.
4. The gross proceeds of the September Placing of £701m are shown net of issue costs of £11m. For more information on the September Placing, please refer to page 44 of this Prospectus.
5. For accounting purposes:
  - the proceeds of the RCIs, Warrants and MCNs are apportioned based on available market data immediately prior to 31 October 2008 between their liability and equity components on the basis of their respective estimated fair values;
  - issue costs are assumed to have been paid on the issue date and treated as a deduction from the proceeds of the debt and equity components.

Therefore, in the pro forma net asset statement:

  - £2,130m of the net proceeds of the RCIs and Warrants of £2,905m (representing the £3,000m issuance, net of estimated issue costs of £95m) has been included in subordinated liabilities for the RCIs (with the remaining £775m relating to the fair value of the Warrants included in equity); and
  - £224m of the net proceeds of the MCNs of £3,875m (representing the £4,050m issuance, net of estimated issue costs of £175m), has been included in debt securities in issue for the coupon payable on the MCNs of £233m, net of associated costs of £9m (with the remaining £3,651m included in equity).

For more information on the Capital Raising, please refer to page 43 of this Prospectus.
6. For clarification purposes, in the Capital Raising Announcement and the Chairman's Letter to Shareholders dated 7 November 2008, the RCI and Warrant proceeds were not apportioned between their liability and equity components but were treated as liabilities and all of the proceeds were included within innovative Tier 1 capital and a zero equity value was applied to the Warrants.
7. No account has been taken of the trading results of the Group since 30 June 2008 or the payment of the interim dividend.
8. No account has been taken of any acquisitions or disposals since 30 June 2008, including the impact of the acquisition of Lehman Brothers' North American investment banking and capital markets businesses.
9. For the purpose of the calculation of the pro forma impact of the Capital Raising:
  - The net proceeds of the RCIs and Warrants (£2,905m) are included in the adjustment calculation of pro forma Tier 1 with the equity component (£775m) also included in the adjustment calculation of pro forma equity Tier 1.
  - The equity component (£3,651m) of the net proceeds of the MCNs (£3,875m) is included in the adjustment calculation of each of the capital ratios assuming that full conversion of the MCNs had occurred on 30 June 2008.
10. Pro forma capital ratios do not necessarily sum across due to the effect of rounding.
11. For the purpose of calculating Risk Weighted Assets, the information presented assumes that the proceeds of the Firm Placing and Placing and Open Offer, the September Placing and the Capital Raising are held at a 0% Risk Weighted Asset rating.

## UNITED KINGDOM TAXATION

Transactions involving the RCIs and other Qualifying Tier 1 Instruments (including purchase, ownership, disposal and redemption) may have tax consequences for potential investors which may depend, amongst other things, upon the status and circumstances of the particular purchaser and the applicable law and practice of taxation authorities in relevant jurisdictions.

In addition, if the Issuer substitutes the RCIs with Qualifying Tier 1 Instruments, the tax consequences are uncertain. This may be dependent on a number of factors, including the nature and terms and conditions of the relevant Qualifying Tier 1 Instruments, and the tax laws to which a particular RCI Holder is subject. The Issuer will not be obliged to pay and will not pay any liability of any RCI Holder to tax arising in respect of any substitution of RCIs for Qualifying Tier 1 Instruments, including in respect of any disposal or deemed disposal of the RCIs in connection with such substitution, save that the Issuer will pay or procure that the issuer of the relevant Qualifying Tier 1 Instrument will pay any UK stamp duty or stamp duty reserve tax arising on the issue thereof. Prospective holders should consult with their own tax advisor about the potential tax consequences to them of a substitution and of acquiring, holding, and disposing of Qualifying Tier 1 Instruments.

### **POTENTIAL PURCHASERS WHO ARE IN ANY DOUBT ABOUT THE TAX CONSEQUENCES FOR THEM OF THE OWNERSHIP OF, OR ANY TRANSACTION INVOLVING, RCIs OR QUALIFYING TIER 1 INSTRUMENTS, SHOULD CONSULT THEIR OWN TAX ADVISERS.**

*The following is a summary of the United Kingdom withholding taxation treatment in relation to payments of interest on the RCIs. The summary is based on the Issuer's understanding of current United Kingdom tax law and the practice of Her Majesty's Revenue & Customs, which may be subject to change, possibly with retrospective effect. The comments below do not deal with any other United Kingdom tax aspects of acquiring, holding or disposing of RCIs or Qualifying Tier 1 Instruments. The comments relate only to the position of persons who are absolute beneficial owners of the RCIs. The following is a general guide and should be treated with appropriate caution. Potential investors who are in any doubt as to their tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, should consult their professional advisers.*

#### **1. Withholding Tax**

All payments of interest on the RCIs may be paid without withholding or deduction for or on account of United Kingdom income tax provided that, at the time of the payment, the RCIs are listed on a recognised stock exchange, as defined in Section 1005 of the Income Tax Act 2007 ("ITA"). The RCIs will be treated as "listed" on a recognised stock exchange if they are admitted to trading on the London Stock Exchange and are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000). While the RCIs are and continue to be listed on a recognised stock exchange, payments of interest on the RCIs may be made without withholding or deduction for or on account of United Kingdom income tax.

If the RCIs cease to be listed on a recognised stock exchange, interest on the RCIs will generally fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to any direction to the contrary from HM Revenue and Customs ("HMRC") in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

#### *Alternative Coupon Satisfaction Mechanism*

If an interest payment is deferred, the Bank must, and in other cases it may at any time elect to, satisfy such interest payment in full or in part through the issue of ordinary shares (as described in the Summary under "Alternative coupon satisfaction mechanism" and as set out in more detail in Condition 6 of "Terms and Conditions of the RCIs").

Where the Bank issues shares to satisfy an interest payment, as described in Condition 6, the issue of the shares by the Bank will be treated for United Kingdom tax purposes as representing the payment of that interest equal to the value of the shares that are issued by the Bank. Whilst the RCIs are and continue to be listed on a recognised stock exchange, payments of interest on the RCIs which are satisfied through the issue

of shares by the Bank under the Alternative Coupon Satisfaction Mechanism may be made without withholding or deduction for or on account of United Kingdom income tax.

If the RCIs cease to be listed on a recognised stock exchange, interest on the RCIs may fall to be paid under deduction of United Kingdom income tax. Where the Bank issues shares in satisfaction of an interest payment which would be subject to withholding if the interest was paid in cash rather than through the issue of shares, the Bank must:

- (a) retain shares the value of which is, at the time of their issue, equal to income tax on the relevant amount of interest at the basic rate in force for the tax year in which the shares are issued (currently 20 per cent.); or
- (b) where it is impracticable to retain shares on account of income tax under paragraph (a) above, provide HMRC with details of the names and addresses of the persons to whom the shares have been issued and the number of shares issued to each such person, and tax in respect of the value of the shares issued will be charged under Case VI of Schedule D in accordance with Chapter VI of Part XIII of the Income and Corporation Taxes Act 1988 (for United Kingdom corporation taxpayers) or under Chapter 2 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (for United Kingdom income taxpayers), on the persons receiving or entitled to the Bank shares.

## 2. **Provision of Information**

RCI Holders should note that where any interest on RCIs is paid to them (or to any person acting on their behalf) by the Bank or any person in the United Kingdom acting on behalf of the Bank (a "**paying agent**"), or is received by any person in the United Kingdom acting on behalf of the relevant RCI Holder (other than solely by clearing or arranging the clearing of a cheque) (a "**collecting agent**"), then the Bank, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HMRC details of the payment and certain details relating to the RCI Holder (including the RCI Holder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or deduction for or on account of United Kingdom income tax and whether or not the RCI Holder is resident in the United Kingdom for United Kingdom taxation purposes. Where the RCI Holder is not so resident, the details provided to HMRC may, in certain cases, be passed by HMRC to the tax authorities of the jurisdiction in which the RCI Holder is resident for taxation purposes.

Information may also be required to be reported in accordance with regulations made pursuant to the European Union Savings Tax Directive (see below).

## 3. **Other Rules Relating to United Kingdom Withholding Tax**

- (a) Where interest has been paid (including where the Bank issues shares in satisfaction of an interest payment) under deduction of United Kingdom income tax, RCI Holders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.
- (b) The references to "interest" in Parts 1 and 2 above mean "interest" as understood in United Kingdom tax law. The statements in Parts 1 and 2 above do not take account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the RCIs or any related documentation.
- (c) The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer pursuant to Condition 13 or otherwise, or by the Issuer of the RCIs pursuant to Condition 7(d) or otherwise and does not consider the tax consequences of any such substitution.

## 4. **European Union Savings Tax Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, 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, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 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, 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.

## SUBSCRIPTION, PLACING AND SALE

### *Subscription Agreements*

Under a Subscription Agreement entered into with the Issuer on 31 October 2008 as amended by a letter agreement entered into with the Issuer on 18 November 2008, Qatar Holding LLC agreed to subscribe for £1,500,000,000 in aggregate principal amount of RCIs at the issue price of 100 per cent. of their principal amount on the Issue Date and to make available to institutional investors up to £250,000,000 in aggregate principal amount of RCIs at the same issue price for clawback under the Placing.

Under a Subscription Agreement entered into with the Issuer on 31 October 2008 as amended by a letter agreement entered into with the Issuer on 18 November 2008, PCP Gulf Invest 2 Limited (representing an Abu Dhabi governmental investment vehicle) (together with Qatar Holding LLC, the "**Investors**") agreed to subscribe for £1,500,000,000 in aggregate principal amount of RCIs at the issue price of 100 per cent. of their principal amount on the Issue Date and to make available to institutional investors up to £250,000,000 in aggregate principal amount of RCIs at the same issue price for clawback under the Placing.

As a result of the Placing, the Investors will each subscribe for £1,250,000,000 in aggregate principal amount of RCIs. However, in the event that any institutional investors do not take up their full allocation, the amount to be subscribed by the Investors will be increased by the aggregate principal amount of RCIs not so paid up, with each Investor subscribing half of such aggregate principal amount of RCIs not so paid up by any institutional investors.

The Investors will each receive a commission of 2 per cent. of the principal amount of the RCIs for which they have respectively agreed to subscribe.

### **Placing Arrangements**

By the terms of a placing letter dated 18 November 2008 (the "**Placing Letter**") entered into between the Issuer, J. P. Morgan Securities Ltd. ("**JPMSL**") and Credit Suisse Securities (Europe) Limited ("**Credit Suisse**"), the Issuer appointed JPMSL and Credit Suisse as co-managers (the "**Co-Managers**") and Barclays Capital, the investment banking division of the Issuer, as sole bookrunner ("**Sole Bookrunner**", and together with the Co-Managers, the "**Banks**") in respect of the Placing, and the Co-Managers agreed to procure purchasers for up to £500,000,000 in aggregate principal amount of RCIs. "**Placing**" means the placing of up to £500,000,000 in aggregate principal amount of RCIs pursuant to the Placing Letter.

Pursuant to the Placing, the Banks procured purchasers (each, a "**Placee**") for £500,000,000 in aggregate principal amount of RCIs on a non-underwritten basis.

### **Selling Restrictions**

#### *United States of America*

In connection with their subscription for the RCIs, each Investor has warranted, acknowledged and agreed as follows (and has agreed to procure that, in connection with any transfer of the RCIs, the transferee of such RCIs shall make the following undertakings and acknowledgements):

1. it acknowledges and agrees that none of the RCIs have been, nor will be, registered under the Securities Act;
2. (A) it understands that the offer and sale of the RCIs to it is being made in reliance on Regulation S under the Securities Act and acknowledges and agrees that, if and for so long as the RCIs are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, none of the RCIs may be offered, sold or pledged or otherwise transferred except (i) in a transaction registered under the Securities Act or (ii) in an offshore transaction in accordance with the applicable requirements of Regulation S under the Securities Act or (iii) pursuant to another applicable exemption from registration under the Securities Act, and in each case in accordance with any applicable securities laws of any state of the United States; and (B) it understands that no representation has been made as to the availability of any exemption under the Securities Act for the reoffer, resale, pledge or transfer of the RCIs, which may be further subject to the applicable restrictions on transfer of the RCIs;

3. it is (i) not in the United States and (ii) not a "U.S. person" (within the meaning of Regulation S under the Securities Act), nor is it purchasing the RCIs for the account or benefit of a U.S. person;
4. neither it, nor its affiliates (as defined in Rule 405 under the Securities Act), nor any persons acting on its behalf or the behalf of its affiliates, has engaged or will engage in any "directed selling efforts" in the United States (within the meaning of Regulation S under the Securities Act) with respect to any RCIs or other securities of the same class as the RCIs;
5. no governmental or regulatory authority filing, approval or consent is required to be made or obtained under the federal and state laws of the United States in order for the Investor to enter into the relevant subscription agreement and perform its obligations thereunder, including, without limitation, any consent of the U.S. Federal Reserve;
6. neither it, nor any of its affiliates, is a "bank holding company" within the meaning of the Bank Holding Company Act of 1956 ("**BHCA**"), or is subject to the International Banking Act of 1978. Neither it, nor any of its affiliates, owns or controls (within the meaning of the BHCA and the rules and interpretations of the U.S. Federal Reserve thereunder) (i) any bank or other financial institution located in the United States or having operations in the United States or (ii) any non-U.S. financial institution that owns or controls any bank or other financial institution located in the United States or having operations in the United States; and
7. it (i) warrants that it is a sophisticated investor with such knowledge and experience in financial and business matters, including but not limited to sales and purchases of securities, as to be capable of evaluating the merits and risks of the subscription for the RCIs and (ii) acknowledges that it has been afforded an opportunity to request from the Issuer, and to review, all additional information considered by it to be necessary for it to evaluate the merits and risks of the subscription for the RCIs.
8. Each of the Co-Managers has severally acknowledged and agreed that the RCIs have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Co-Managers has represented and agreed that it has not offered or sold and will not offer or sell any RCIs except outside the United States or otherwise in an "offshore transaction" (as defined in Regulation S) in each case in accordance with Rule 903 of Regulation S. Accordingly, each of the Co-Managers has severally warranted, undertaken and agreed that neither it, nor any affiliate (as defined in Rule 405 under the Securities Act) nor any person acting on its or their behalf has engaged or will engage in any "directed selling efforts" (as defined in Regulation S) with respect to the RCIs and that it and such persons have complied and will comply with the offering restrictions of Regulation S.
9. Each of the Co-Managers has severally represented that it has not entered and agrees that it will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the RCIs.

#### *United Kingdom*

1. Each of the Co-Managers has agreed that it, as agent of the Issuer, will not offer or sell any RCIs in the United Kingdom other than:
  - (a) to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) in the course of their business and who are qualified investors within the meaning of Section 86(7) of the FSMA; or
  - (b) otherwise in circumstances which have not resulted and will not result in an offer to the public in the UK within the meaning of the FSMA.
2. Each of the Co-Managers has agreed that it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of RCIs in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

### *Public Offer Selling Restriction Under The Prospectus Directive*

1. Each of the Co-Managers has represented, warranted and agreed that it has not and will not make an offer to the public of any RCIs in a Member State of the European Economic Area which has implemented the Prospectus Directive (being Directive 2003/71EC and any relevant implementing measure in each such Member State) (each a "**Relevant Member State**"), except for any offer made in a Relevant Member State of any RCIs under the following exemptions under the Prospective Directive (provided that they have been implemented in that Relevant Member State):
  - (a) to persons who are qualified investors (within the meaning set out in Article 2(1)(e) of the Prospectus Directive); or
  - (b) in any other circumstances falling within Article 3(2) of the Prospectus Directive,provided that no such offer of RCIs has resulted in or will result in a requirement for the publication by the Issuer or the Co-Managers of a prospectus pursuant to the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public of any RCIs" in relation to any RCIs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the RCIs to be offered so as to enable an investor to decide to purchase the RCIs, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

### *China*

The RCIs may not be offered or sold directly or indirectly within the borders of the People's Republic of China (which, for such purposes, does not include the Hong Kong or Macau Special Administrative Regions or Taiwan) (the "**PRC**"). This Prospectus or the information contained herein has not been approved by or registered with any relevant governmental authorities in the PRC and may not be offered for sale in the PRC. Investors with registered addresses in, or who are resident or ordinarily resident in, or a citizen of, the PRC are responsible for obtaining all relevant government regulatory approvals/licences (if any) themselves, including, but not limited to, any which may be required from the State Administration of Foreign Exchange and other competent regulatory authorities and complying with all relevant PRC regulations (if applicable), including, but not limited to, any relevant foreign exchange regulations and/or overseas investment regulations.

### *United Arab Emirates*

This Prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

By receiving this Prospectus, the person or entity to whom it has been issued understands, acknowledges and agrees that this Prospectus has not been approved by the UAE Central Bank, the Emirates Securities or Commodities Authority ("**ESCA**") or any other authorities in the UAE, nor has the placement agent, if any, received authorisation or licensing from the UAE Central Bank, ESCA or any other authorities in the United Arab Emirates to market or sell securities or other investments within the United Arab Emirates. No marketing of any securities or services has been or will be made from within the United Arab Emirates and no subscription to any securities or other investments may or will be consummated within the United Arab Emirates. It should not be assumed that the placement agent, if any, is a licensed broker, dealer or investment advisor under the laws applicable in the United Arab Emirates, or that it advises individuals resident in the United Arab Emirates as to the appropriateness of investing in or purchasing or selling securities or other securities. The RCIs may not be offered or sold directly or indirectly to the public in the United Arab Emirates. This does not constitute a public offer of securities or units in funds in the United Arab Emirates in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

By receiving this Prospectus, the person or entity to whom it has been issued understands, acknowledges and agrees that the RCIs have not been and will not be offered, sold or publicly promoted or advertised in the Dubai International Financial Centre other than in compliance with laws applicable in the Dubai International Financial Centre, governing the issue, offering or sale of RCIs. The Dubai Financial Services

Authority has not approved this Prospectus nor taken steps to verify the information set out in it, and has no responsibility for it.

#### *Qatar*

This Prospectus has not been filed with, reviewed or approved by the Qatar Central Bank, the Qatar Financial Centre Regulatory Authority or any other relevant Qatar governmental body or securities exchange, nor any foreign governmental body or securities exchange.

This Prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

#### *Singapore*

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore, and the offer of the RCIs is made in reliance on the offering exemption under Section 273(1)(cd) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, any document or material in connection with the offer or sale of the RCIs may not be circulated or distributed, nor may the RCIs be offered or sold, whether directly or indirectly, to any person in Singapore other than to (i) an existing Barclays shareholder or debenture holder pursuant to Section 273(1)(cd) of the SFA or (ii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

#### *Others*

The relevant clearances have not been, and nor will they be, obtained from the securities commission of any province or territory of Canada; no prospectus has been lodged with or registered by, the Australian Securities and Investments Commission, the Japanese Ministry of Finance or the relevant authority in South Africa; and the RCIs have not been, and nor will they be, registered under or offered in compliance with the securities laws of any state, province or territory of Canada, Australia, Japan or South Africa. Accordingly, the RCIs may not (unless an exemption under the relevant securities laws is applicable) be offered, sold, resold or delivered, directly or indirectly, in or into Canada, Australia, Japan or South Africa.

#### *General*

1. Each of the Co-Managers has represented, warranted and agreed that it has not offered or sold or procured purchasers or subscribers for any RCIs, or distributed any written materials relating to the Placing; and it will not offer or sell or procure purchasers or subscribers for any RCIs or distribute any written materials relating to the Placing, in each case, in any other jurisdiction where such action would require a public offer of the RCIs.
2. No action has been or will be taken in any jurisdiction by the Issuer or any member of the Group or any of the Banks that would, or is intended to, permit a public offering of the RCIs, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus, or any other offering material relating to the RCIs, comes are required by the Issuer and each of the Banks to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver RCIs or any other offering material relating to the RCIs, or have in their possession, distribute or publish this Prospectus or any other offering material relating to the RCIs in all cases at their own expense.

## GENERAL INFORMATION

1. The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the RCIs. The issue of the RCIs has been authorised pursuant to resolutions of the Board of Directors of the Issuer passed on 27 October 2008 and written resolutions of the Fund Raising Committee of the Board of Directors of the Issuer of 21 November 2008.
2. Applications have been made for the RCIs to be admitted to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange's regulated market. It is expected that the RCIs will be so admitted and listed as and when issued, subject only to the execution of the Global RCI Certificate. The total expenses relating to the admission to trading of the RCIs are estimated to be £7,660.
3. The RCIs have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code for the RCIs is 039780135. The ISIN code for the RCIs is XS0397801357. The Sedol Code for the RCIs is B3FMYY3. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.
4. The Group has for some time been party to proceedings, including a class action, in the United States against a number of defendants following the collapse of Enron; the class action claim is commonly known as the Newby litigation. On 20 July 2006, the Group received an Order from the United States District Court for the Southern District of Texas Houston Division which dismissed the claims against the Holding Company, the Issuer and Barclays Capital Inc. in the Newby litigation. On 4 December 2006 the Court stayed the Group's dismissal from the proceedings and allowed the plaintiffs to file a supplemental complaint. On 19 March 2007 the United States Court of Appeals for the Fifth Circuit issued its decision on an appeal by the Issuer and two other financial institutions contesting a ruling by the District Court allowing the Newby litigation to proceed as a class action. The Court of Appeals held that because no proper claim against the Issuer and the other financial institutions had been alleged by the plaintiffs, the case could not proceed against them. The plaintiffs applied to the United States Supreme Court for a review of this decision. On 22 January 2008, the United States Supreme Court denied the plaintiffs' request for review. Following the Supreme Court's decision, the District Court ordered a further briefing concerning the status of the plaintiffs' claims. The Group is seeking the dismissal of the plaintiffs' claims.

The Group considers that the Enron related claims against it are without merit and is defending them vigorously. It is not possible to estimate the Group's possible loss in relation to these matters, nor the effect that they might have upon operating results in any particular financial period.

The Group has been in negotiations with the staff of the US Securities and Exchange Commission with respect to a settlement of the Commission's investigations of transactions between the Group and Enron. The Group does not expect that the amount of any settlement with the Commission would have a significant adverse effect on its financial position or operating results.

Like other UK financial services institutions, the Group faces numerous County Court claims and complaints by customers who allege that its unauthorised overdraft charges either contravene the Unfair Terms in Consumer Contracts Regulations 1999 ("UTCCR") or are unenforceable penalties or both. In July 2007, by agreement with all parties, the OFT commenced proceedings against seven banks and one building society, including the Issuer, to resolve the matter by way of a "test case" process. Preliminary issues hearings took place in January 2008 (in respect of current terms) and July 2008 (in respect of past terms), with judgments handed down in April and October respectively. As to current terms, in April the court held in favour of the banks on the issue of the penalty doctrine, and in favour of the OFT on the issue of the applicability of the UTCCR. The banks' appeal against the decision in relation to the applicability of the UTCCR took place at a hearing which commenced in late October 2008 which concluded on 5 November 2008 with judgment reserved. A judgment from the Court of Appeal is not expected before the end of the year. As to past terms, at the July hearing the banks conceded that the decision of the Court of Appeal in relation to the UTCCR and current terms should read across to past terms, and therefore the July hearing was only concerned with the common law penalty doctrine. In its judgment handed down on 8 October 2008, the Court held that Barclays past terms, including those of Woolwich,

were not capable of being penalties. Further hearings will be required to finalise the position in relation to some of the other defendant banks' past terms. The proceedings may take a significant period of time to conclude. Pending resolution of the test case process, existing and new claims in the County Courts remain stayed, and there is an FSA waiver of the complaints handling process and a standstill of Financial Ombudsman Service decisions. The Group is defending the test case vigorously. It is not practicable to estimate the Group's possible loss in relation to these matters, nor the effect that they may have upon operating results in any particular financial period. Barclays will comply with its obligations as a listed company admitted to the Official List in connection with further disclosures in relation to this litigation, including its potential impact on the Group.

Save as disclosed in the first, second and fourth paragraphs of this section 4, 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 Prospectus, a significant effect on the financial position or profitability of the Issuer and/or the Group.

5. Save as disclosed in the first paragraph under the sub-heading "*Acquisitions*" on page 42 of this Prospectus in relation to the acquisition of Lehman Brothers' North American operations and in paragraphs entitled "*The Capital Raising*", "*The Placing*" and "*The Firm Placing and Placing and Open Offer*" under the sub-heading "*Recent developments*" on pages 43 and 44 of this Prospectus in relation to the Barclays capital raisings announced on 31 October 2008, 18 September 2008 and 25 June 2008 and save for the net losses from credit market writedowns and gains on the fair valuation of issued notes referred to in the first paragraph under the heading "*Credit Market Exposures*" on page 49 of this Prospectus (Interim Management Statement dated 31 October 2008), there has been no significant change in the financial or trading position of the Issuer or the Group since 30 June 2008 (the date to which Barclays last published interim financial information was prepared).
6. There has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2007.
7. For so long as any of the RCIs are admitted to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange's regulated market and the prospectus rules of the FSA so require, for the life of this Prospectus, copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at Barclays Treasury, 1 Churchill Place, London E14 5HP and at the specified office of the Principal Paying Agent, currently located at One Canada Square, London E14 5AL:
  - (a) the Memorandum and Articles of Association of the Issuer;
  - (b) the Joint Annual Report, the 2006 Issuer Annual Report, the 2007 Issuer Annual Report, the Interim Results Announcement, the Issuer Interim Results Announcement, the Announcement and the Capitalisation and Indebtedness Table;
  - (c) the Trust Deed;
  - (d) the Paying Agency Agreement; and
  - (e) any supplementary prospectus published since the most recent prospectus was published and any documents incorporated therein by reference.
8. This Prospectus will be made available on the website of the London Stock Exchange.
9. The independent auditors of the Issuer are PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors of Hay's Galleria, 1 Hay's Lane, London SE1 2RD, who have audited the consolidated accounts of the Issuer and its subsidiaries, without qualification, for each of the two financial years ended on 31 December 2006 and 31 December 2007. The auditors of the Issuer have no material interest in the Issuer.

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