

## PROSPECTUS



BARCLAYS BANK PLC  
(incorporated with limited liability in England)

£500,000,000  
5.3304 per cent. Step-up Callable Perpetual Reserve Capital Instruments  
Issue Price: 100 per cent.

The £500,000,000 5.3304 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) 31 March 2006 (the "Issue Date") to (but excluding) 15 December 2036 at a rate of 5.3304 per cent. per annum, payable annually in arrear on 15 December in each year, save that the first payment will be made on 15 December 2006 in respect of the period from (and including) 31 March 2006 to (but excluding) 15 December 2006 and will amount to £1,891.20 per £50,000 principal amount of the RCIs. From (and including) 15 December 2036, the RCIs will bear interest at a rate, reset quarterly, of 1.985 per cent. per annum above the London interbank offered rate for three-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) declare or 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") or (b) redeem, purchase, reduce or otherwise acquire any of their respective shares or other securities, 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, 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 December 2036 or on each Coupon Payment Date (as defined herein) thereafter. 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". Under existing Financial Services Authority ("FSA") requirements, the Bank may not redeem or purchase any RCIs unless the FSA has given its prior consent.

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 in respect of any Suspension Redemption Price (as defined herein)) or interest in respect of the RCIs may be made unless the Bank is able to make such payment and remain solvent immediately thereafter. In the event of either the winding-up in England 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 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 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 trading on the Gilt-Edged and Fixed Interest Market of the London Stock Exchange plc (the "London Stock Exchange"). 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 Gilt-Edged and Fixed Interest Market and have been listed on the Official List maintained by the UK Listing Authority. The London Stock Exchange's Gilt-Edged and Fixed Interest Market is a regulated market for the purpose of the Investment Services Directive (Directive 93/22/EEC).

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.

### BARCLAYS CAPITAL Lead Manager and Bookrunner

BNP PARIBAS  
Merrill Lynch International

Co-Lead Managers  
Citigroup  
Morgan Stanley

Goldman Sachs International  
UBS Investment Bank

Caja Madrid  
Mediobanca S.p.A.

Co-Managers  
Danske Bank  
Rabobank International

ING Barings  
Wachovia Securities International Limited

27 March 2006

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 Managers (as defined in “*Subscription and Sale*”) accept 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 document and offering or sale of the RCIs in certain jurisdictions may be restricted by law. See “*Subscription and Sale*” for a description, *inter alia*, of certain restrictions on offers and sales of the RCIs in the United States or to U.S. persons.

The RCIs have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, and comprise securities in bearer form that are subject to United States tax law requirements.

The RCIs will be represented initially by a temporary global RCI in bearer form without coupons or talons (the “**Temporary Global RCI**”) which will be deposited outside the United States with The Bank of New York, London branch as common depository for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”) on or about the Issue Date. The Temporary Global RCI will be exchangeable in whole or in part (free of charge to the holder) for interests in a permanent global RCI in bearer form, without coupons or talons (the “**Permanent Global RCI**”), on or after the date which is expected to be 11 May 2006 (the “**Exchange Date**”) upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations and as described in the Temporary Global RCI. Interests in the Permanent Global RCI will be exchangeable in whole but not in part (free of charge to the holder) for definitive bearer RCIs with coupons for principal and interest and talons for further coupons attached (“**Definitive RCIs**”) in denominations of £50,000 only in the limited circumstances set out in the Permanent Global RCI. See further “*Summary of Provisions Relating to the RCIs While in Global Form*”.

The RCIs will be in bearer form and in denominations of £50,000, provided that, for so long as the RCIs are represented by the Temporary Global RCI or the Permanent Global RCI and the relevant clearing system(s) so permit(s), the RCIs shall be tradeable in minimum principal amounts 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 “**£**” and “**Sterling**” are to pounds sterling 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 Capital Securities Limited (the “**Stabilising Manager**”) (or persons acting on behalf of the Stabilising Manager) may over-allot RCIs (provided that the aggregate principal amount of the RCIs allotted does not exceed 105 per cent. of the aggregate principal amount of the 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.

## Information Incorporated by Reference

The following information shall be deemed to be incorporated in, and to form part of, this Prospectus:

1. the audited joint Annual Report of Barclays PLC and the Issuer, as filed with the SEC on Form 20-F, in respect of the year ended 31 December 2004 (with the exception of the information incorporated by reference in the Annual Report referred to in the Exhibit Index of the Annual Report, which shall not be deemed to be incorporated in this Prospectus) and the Annual Report of the Issuer containing the audited consolidated accounts of the Issuer in respect of the year ended 31 December 2004;
2. the amendment to the joint 2004 Annual Report of Barclays PLC and the Issuer, as filed with the SEC on Form 20-F/A on 6 May 2005 (with the exception of the information incorporated by reference in the Annual Report referred to in the Exhibit Index of the Annual Report, which shall not be deemed to be incorporated in this Prospectus);

The audited joint Annual Report of Barclays PLC and the Issuer and the audited Annual Report of the Issuer referred to in item 1 and 2 above were prepared in accordance with UK Generally Accepted Accounting Principles (“UK GAAP”).

3. the Annual Report containing the audited consolidated accounts of Barclays PLC for the year ended 31 December 2005 (the “**2005 Barclays PLC Annual Report**”); and
4. the Annual Report containing the audited consolidated accounts of the Issuer for the year ended 31 December 2005 (the “**2005 Issuer Annual Report**”).

Barclays PLC and the Issuer have applied International Financial Reporting Standards (“IFRS”) from 1 January 2004, with the exception of the standards relating to financial instruments (IAS 32 and IAS 39) and insurance contracts (IFRS 4) which were applied only with effect from 1 January 2005. Therefore, in the 2005 Barclays PLC Annual Report and the 2005 Issuer Annual Report, the impacts of adopting IAS 32, IAS 39 and IFRS 4 are not included in the 2004 comparatives in accordance with First-time Adoption of International Financial Reporting Standards (IFRS 1). The results for 2005 are therefore not entirely comparable to those for 2004 in affected areas. A summary of the significant accounting policies for Barclays PLC and the Issuer is included in the 2005 Annual Reports for Barclays PLC and the Issuer.

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

The table below sets out the relevant page references for the information contained within the Annual Report of Barclays PLC and the Issuer filed on Form 20F:

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The table below sets out the relevant page references for the information contained within the amendment to the 2004 Annual Report of the Issuer filed on Form 20F/A:

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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".*

<b>Issuer</b>	Barclays Bank PLC
<b>Holding Company</b>	Barclays PLC
<b>Trustee</b>	The Bank of New York, New York office
<b>Issue size</b>	£500,000,000
<b>Issue Price</b>	100 per cent.
<b>Issue Date</b>	31 March 2006
<b>Yield</b>	5.3320 per cent.
<b>Redemption</b>	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 the prior consent of the FSA and provided that the Solvency Condition is met, at their principal amount together with any Outstanding Payments on 15 December 2036 or on any Coupon Payment Date thereafter.
<b>Interest</b>	The RCIs bear interest at a rate of 5.3304 per cent. per annum from (and including) the Issue Date to (but excluding) 15 December 2036 and thereafter at a rate per annum reset quarterly of 1.985 per cent. per annum above the London interbank offered rate for three-month Sterling deposits.
<b>Coupon Payment Dates</b>	Coupon Payments in respect of the RCIs will be payable annually in arrear on 15 December in each year from (and including) 15 December 2006 to (and including) 15 December 2036 and thereafter, subject to adjustment for non-business days, on 15 March, 15 June, 15 September and 15 December in each year, save that the first payment will be made on 15 December 2006 in respect of the period from (and including) 31 March 2006 to (but excluding) 15 December 2006 and will amount to £1,891.20 per £50,000 principal amount of the RCIs.
<b>Subordination</b>	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 TONs, other 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.

#### **General deferral of Payments**

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

Any 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 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) declare or pay a dividend (other than a final dividend declared by the Shareholders of the Holding Company before such Coupon Payment is so deferred, or a dividend paid by the Issuer to the Holding Company or a wholly-owned Subsidiary) on any of their respective ordinary shares or preference shares, or satisfy any payments in respect of interest on any RCI or (b) redeem, purchase, reduce or otherwise acquire any of their respective share capital 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 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 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 FSA.

#### **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 and used 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 either by payment of an amount equal to such shortfall, subject to certain limitations, or, at its election, through issuing additional ordinary shares as part of the operation of a similar share issue, exchange and sale mechanism to that summarised above.

**Insufficiency**

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 using the alternative coupon satisfaction mechanism described above.

**Market Disruption Event**

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.

**Suspension**

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 an independent investment bank 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 be unable to satisfy payments using the alternative coupon satisfaction mechanism. If the investment bank is unable to determine appropriate amendments, as notified to the Issuer and the Trustee, each RCI will (subject to the prior consent of the FSA) be redeemed at the Suspension Redemption Price.

**Additional amounts**

The Issuer will pay additional amounts to RCI Holders to gross up payments upon the imposition of UK withholding tax, subject to customary exceptions.

**Redemption for taxation purposes**

The Issuer may, subject to the prior consent of the FSA, redeem all, but not some only, of the RCIs at their principal amount together with any Outstanding Payments in the event that, for reasons outside its control, it is required to pay additional amounts in respect of United Kingdom withholding taxation, provided that the Solvency Condition is met.

Upon the occurrence of certain other changes in the treatment of the RCIs for taxation purposes, the Issuer may, subject to the prior consent of the FSA 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.

**Redemption for regulatory reasons**

The RCIs will qualify as Tier 1 Capital for the purposes of the FSA's capital adequacy regulations. If at any time the RCIs cease to qualify as Tier 1 Capital, the Issuer may, subject to the prior consent of the FSA 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.

**Remedy for non-payment**

The sole remedy against the Issuer available to the Trustee or any RCI Holder or Couponholder for recovery of amounts owing in respect of any Payment or principal in respect of the RCIs or Coupons 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.

**Form**

Bearer. The RCIs will be represented initially by the Temporary Global RCI, without Coupons or Talons, which will be deposited outside the United States with a common depositary for Clearstream, Luxembourg and Euroclear on or about the Issue Date. The Temporary Global RCI will be exchangeable for interests in the Permanent Global RCI, without Coupons or Talons, on or after a date which is expected to be 11 May 2006 upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations and as described in the Temporary Global RCI. Save in the limited circumstances described in the Permanent Global RCI, RCIs in definitive bearer form with coupons and a talon attached on issue will not be issued in exchange for interests in the Permanent Global RCI.

**Denomination**

For so long as the RCIs are represented by either the Temporary Global RCI or the Permanent Global RCI and Euroclear and Clearstream, Luxembourg so permit, the RCIs shall be tradable in minimum nominal amounts of £50,000 and integral multiples of £1,000 in excess thereof. If Definitive RCIs are required to be issued in the limited circumstances specified in the Permanent Global RCI, they will only be printed and issued in denominations of £50,000. Accordingly, if Definitive RCIs are required to be issued, an RCI Holder having an original nominal amount which cannot be fully represented by Definitive RCIs in the denomination of £50,000 will not be able to receive a Definitive RCI in respect of the original nominal amount of the RCIs by which the original nominal amount of such holding of RCIs exceeds the next lowest integral multiple of £50,000 (the "**Excess Amount**"), and will not be able to receive interest or principal in respect of the Excess Amount. Accordingly, RCI Holders who hold RCIs in the relevant clearing system in amounts that are not integral multiples of £50,000 may need to purchase or

sell, prior to the date on which the Permanent Global RCI is exchanged for Definitive RCIs, a principal amount of RCIs such that their holding is an integral multiple of £50,000.

**Listing and admission to trading**

London. 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 Gilt-Edged and Fixed Interest Market.

**Governing law**

English.

**Rating**

The RCIs have been assigned a A+ rating by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., a Aa3 rating by Moody's Investors Service, Inc. and a AA rating by Fitch Ratings Limited. 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

Prospective investors in the RCI should carefully consider the following information in conjunction with the other information included in this Prospectus. Defined terms used herein have the meaning given to them in “*Terms and Conditions of the RCIs*”.

### 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) declare or 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*”) or (b) redeem, purchase, reduce or otherwise acquire any of their respective shares or other securities, 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, 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.

#### *Redemption Risk*

The RCIs may, subject to the prior consent of the FSA, 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 Suspension Redemption Price together with any Outstanding Payments, all as more particularly described in “*Terms and Conditions of the RCIs — 7. Redemption*”.

#### *No Limitation On Issuing 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.

#### *Availability of 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 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 FSA requirements for subordinated capital, the sole remedy against the Bank available to the Trustee or any RCI Holder or Couponholder 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.

### ***Liquidity***

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 Gilt-Edged and Fixed Interest Market of the London Stock Exchange, there can be no assurance that an active public market for the RCIs will develop and, if such a market were to develop, the Managers are under no 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.

### ***Denominations***

For so long as the RCIs are represented by a Global RCI and Euroclear and Clearstream, Luxembourg so permit, the RCIs shall be tradable in minimum nominal amounts of £50,000 and integral multiples of £1,000 in excess thereof. If Definitive RCIs are required to be issued in the limited circumstances specified in the Permanent Global RCI, they will only be printed and issued in denominations of £50,000. Accordingly, if Definitive RCIs are required to be issued, an RCI Holder having an original nominal amount which cannot be fully represented by Definitive RCIs in the denomination of £50,000 will not be able to receive a Definitive RCI in respect of the original nominal amount of the RCIs by which the original nominal amount of such holding of RCIs exceeds the next lowest integral multiple of £50,000 (the “**Excess Amount**”), and will not be able to receive interest or principal in respect of the Excess Amount. Accordingly, RCI Holders who hold RCIs in the relevant clearing system in amounts that are not integral multiples of £50,000 may need to purchase or sell, prior to the date on which the Permanent Global RCI is exchanged for Definitive RCIs, a principal amount of RCIs such that their holding is an integral multiple of £50,000.

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

The profitability of the businesses of the Group (as defined in “*The Issuer and the Group*”) could be adversely affected by a worsening of general economic conditions in the United Kingdom or globally. Factors such as the liquidity of the global financial markets, the level and volatility of equity prices and interest rates, investor sentiment, inflation, and the availability and cost of credit could significantly affect the activity level of customers.

A market downturn would likely lead to a decline in the volume of transactions that the Issuer executes for its customers and, therefore, lead to a decline in the income it receives from fees and

commissions. A market downturn or worsening of the economy could cause the Group to incur mark-to-market losses in its trading portfolios. A market downturn also could potentially result in a decline in the fees the Issuer earns for managing assets. For example, a higher level of domestic or foreign interest rates or a downturn in trading markets could affect the flows of assets under management. An economic downturn or significantly higher interest rates could adversely affect the credit quality of the Issuer'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.

The Group's provisions for credit losses provide for losses inherent in loans and advances and other credit exposures. Estimating losses is inherently uncertain and depends on many factors, including general economic conditions, rating migration, structural and technological changes within industries and changes in customer preferences that alter competitive positions, mismanagement by customers and other external factors such as legal and regulatory requirements.

### ***Operational Risks***

The Group's businesses are dependent on the ability to process a large number of transactions efficiently and accurately. Operational risks and losses can result from fraud, errors by employees, failure properly to document transactions or to obtain proper internal authorisation, failure to comply with regulatory requirements and Conduct of Business rules, equipment failures, natural disasters or the failure of external systems, for example, those of the Group's suppliers or counterparties. Although the Group has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to staff training, it is only possible to be reasonably, but not absolutely, certain that such procedures will be effective in controlling each of the operational risks faced by the Group.

The Group is subject to comprehensive legal obligations in the UK, the European Union, the US, the Asia-Pacific region and in the many other countries around the world in which the Group operates. As a result, the Group is exposed to many forms of legal risk, which may arise in a number of ways. Primarily:

- Group business may not be conducted in accordance with applicable laws;
- 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.

In addition, the Group faces risk where legal proceedings are brought against it. Regardless of whether or not such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in financial loss.

Although the Group has processes and controls around the management of legal risk, failure to manage legal risks can impact the Group adversely, both financially and reputationally.

Tax risk is the risk associated with changes in, or errors in the interpretation of, taxation rates or law. This could result in increased charges or financial loss.

Although the Group devotes considerable resources to managing tax risk, failure to manage this risk can impact the Group adversely.

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 meet with success, the Group's earnings could grow more slowly or decline.

### *Risks Relating to the Financial Services Industry*

The most significant market risks the Group faces are interest rate, credit spread, foreign exchange, commodity price and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending income and borrowing costs.

Changes in currency rates, particularly in the sterling-dollar and sterling-euro exchange rates, affect the value of assets and liabilities denominated in foreign currencies and affect earnings reported by the Group's non-UK subsidiaries and may affect revenues from foreign exchange dealing. The performance of financial markets may cause changes in the value of the Group's investment and trading portfolios and in the amount of revenues generated from assets under management. The Group has implemented risk management methods to mitigate and control these and other market risks to which the Group is exposed. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Group's financial performance and business operations. In addition, the value of assets held in the Group's pension and long-term assurance funds are also affected by the performance of financial markets.

The Group's authority to operate as a bank is dependent upon the maintenance of an adequate capital base. It is required to meet capitalisation requirements in the UK and in other markets where banking activities are undertaken. As the level of capitalisation may affect the Group's debt rating, the Group also manages its capital to secure the maintenance of its strong rating. Moreover, the absence of a sufficiently strong capital base may constrain the Group's growth and strategic options. Unforeseen circumstances may arise under which the Group is unable to maintain its desired capitalisation.

Liquidity risk is the risk that the Group is unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn; the consequence of which may be the failure to meet obligations to repay depositors and fulfil commitments to lend. This risk exists in the UK as well as in overseas markets. There is a risk that the Group mismanages its liquidity or that circumstances may arise under which it is unable to maintain adequate liquidity.

The Group is subject to extensive supervisory and regulatory regimes in the UK, elsewhere in Europe, the US, the Asia-Pacific region and in the many other countries around the world in which it operates.

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

The Group's businesses and earnings can be affected by the fiscal or other policies and other actions of various regulatory authorities of the UK, other European Union or foreign governments and international agencies. The nature and impact of future changes in such policies and regulatory action are not predictable and are beyond the Group's control.

There is continuing political and regulatory scrutiny of, and major changes in, legislation and regulation of the consumer credit industry in the UK and elsewhere. In the UK, these currently include a review of store cards by the Competition Commission and investigations by the Office of Fair Trading into interchange rates and default fees on credit cards. The review and investigations are looking at the consumer credit industry generally and the Group is co-operating with those proceedings. Their outcome is unclear but may have an impact on the consumer credit industry in general and therefore on the Group's business in this sector.

Other areas where changes could have an impact include *inter alia*:

- 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 requirement, for example, prudential rules relating to the capital adequacy framework;
- changes in competition and pricing environments;
- changes 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.

The UK and global financial services market remains highly competitive and innovative competition comes both from incumbent players and a steady stream of new market entrants. The landscape is expected to remain highly competitive in all the Group's businesses, which could adversely affect the Group's profitability.

## TERMS AND CONDITIONS OF 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 a resolution of the Fund Raising Committee of the Board of Directors of the Issuer passed on 23 March 2006. 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 and the Couponholders at the principal office of the Trustee, being at the date hereof at 101 Barclay Street, New York, NY 10286, United States of America, and at the specified office of each of the Paying Agents. The RCI Holders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those applicable to them of the Paying Agency Agreement.

### 1. Form, Denomination and Title

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

The RCIs are serially numbered and in bearer form in the Authorised Denominations each with Coupons and one Talon attached on issue.

#### (b) *Title*

Title to the RCIs, Coupons and Talons will pass by delivery. The bearer of any RCI 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 it) and no person will be liable for so treating the RCI Holder.

### 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 and the Couponholders 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) 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) 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 if (i) it is able to pay its debts owed to Senior Creditors as they fall due and (ii) if 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 and on any redemption (subject to Condition 2(b)(i)) pursuant to Condition 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 and shall be satisfied only in accordance with Condition 6. In the event that the Issuer shall be so solvent once again, the Issuer may not declare or 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 relevant payment date.

- (iii) *Set-off*: Subject to applicable law, no RCI Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the RCIs and each RCI Holder and Couponholder shall, by virtue of his holding of any RCI or Coupon, 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.

### 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 defined 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 to 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, over 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 Payment which would, in the absence of deferral in accordance with this Condition 4, be due and payable, defer such 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 and (ii) subject to the provisions in Condition 10, 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 in the manner set out in Condition 6, 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 FSA. 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 (1) 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 in accordance with these Terms and Conditions, neither the Issuer nor the Holding Company, respectively, may (a) declare or pay a dividend (other than a final dividend declared by the Shareholders of the Holding Company before such Coupon Payment is so deferred, or a dividend paid by the Issuer to the Holding Company or to a wholly-owned Subsidiary) on any of their respective ordinary shares or preference shares, or satisfy any payments of interest in respect of any Existing RCIs or (b) redeem, purchase, reduce or otherwise acquire any of their respective ordinary shares, preference shares or other securities, 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, 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).

#### 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(a), 4(b), 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 5.3304 per cent. per annum.
- (ii) The Coupon Rate in respect of each Reset Period shall be the aggregate of 1.985 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 Pounds Sterling as at 11.00 a.m. (London time) on the Coupon Determination Date in question as appears on the display designated as page “3750” on the Telerate service (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 Pounds 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 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 Pounds 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 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, 6.3304 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.

Each Coupon Amount in respect of any Coupon Period ending prior to the First Reset Date shall be calculated by applying the Coupon Rate to the principal amount of the relevant RCI and, in respect of any period of less than one year, such resulting amount shall be multiplied by the 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 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 5(d) 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 and all RCI Holders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the RCI Holders or the Couponholders 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 principal London office) to act as such in its place.

**6. Alternative Coupon Satisfaction Mechanism**

(a) *Alternative Coupon Satisfaction Mechanism*

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, 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 Coupon 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 7th 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) 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, as agent of the Trustee, to 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 2 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*

If the Issuer is to satisfy all or part of a Payment 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 6 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 4 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, the Holding Company may not (a) declare or pay a dividend (other than a final dividend declared by the Shareholders of the Holding Company before such second rejection) on any of its ordinary shares or preference shares or (b) redeem, purchase, reduce or otherwise acquire any of its ordinary shares, preference shares or other securities or any securities of any of its subsidiary undertakings benefiting from a guarantee from the Holding Company 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 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, 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. Any such interest shall accrue at a rate determined in accordance with Condition 5 and shall be satisfied only 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

### (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 and 3 and without prejudice to the provisions of Condition 12) 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 or purchase of the RCIs is subject to the prior consent of the Financial Services Authority.

### (b) *Issuer's Call Option*

Provided that the Auditors have reported to the Trustee within the previous six months that the Solvency Condition is met, the Issuer may, by giving not less than 30 nor more than 60 days' notice to the RCI Holders in accordance with Condition 16 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 (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, 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 27 March 2006,

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 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 the Issuer may, provided that the Auditors have reported to the Trustee within the previous six months that the Solvency Condition is met, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, 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 of the Issuer 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 for Regulatory Purposes*

If the Financial Services Authority has determined that the RCIs no longer qualify as Tier 1 Capital then the Issuer may, provided that the Auditors have reported to the Trustee within the previous six months that the Solvency Condition is met, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, 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(d) the Issuer shall deliver to the Trustee a certificate signed by a Director of the Issuer stating that the Financial Services Authority has determined that the RCIs no longer qualify as Tier 1 Capital. Upon expiry of such notice the Issuer shall redeem the RCIs.

(e) *Purchases*

The Issuer or any other Subsidiary may (subject to the prior consent of the Financial Services Authority and provided that the Auditors have reported to the Trustee within the previous six months that the Solvency Condition is met) at any time purchase RCIs in any manner and at any price. In each case purchases will be made together with all unmatured Coupons and Talons (if any) appertaining thereto.

(f) *Cancellation*

All RCIs so redeemed or purchased by the Issuer, save for any such RCIs or Coupons purchased by the Issuer in the ordinary course of a business in dealing in securities, and any unmatured Coupons and Talons (if any) appertaining thereto, 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) and Coupon Amounts in respect of the RCIs will be made by or on behalf of the Issuer against presentation and surrender of RCIs or the appropriate Coupons (as the case may be) at the specified office of any of the Paying Agents (subject to subparagraph (iv) below). Such payments will be made, at the option of the payee by Pounds Sterling cheque drawn on, or by transfer to a Pounds Sterling account maintained by the payee with, a bank in London.
- (ii) Upon the due date for redemption of any RCI, any unexchanged Talon relating to such RCI (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon and unmatured Coupons relating to such RCI (whether or not attached) shall also become void and no payment shall be made in respect of them. If any RCI is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (iii) On or after the Coupon Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any RCI, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 12).
- (iv) 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.

### (b) *Payments subject to Fiscal Laws*

Without prejudice to the terms of Condition 11, 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*

An RCI or a Coupon may only be presented for payment on a day which is a Payment Business Day. No further interest or other payment will be made as a consequence of the day on which the relevant RCI or Coupon may be presented for payment under this paragraph falling after the due date.

(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 shall be suspended (such event being a "**Suspension**"). In such event an independent investment bank appointed by the Issuer (at the Issuer's expense) and approved by the Trustee 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 Services Authority, 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 or Couponholders, 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 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 Services Authority to such redemption, 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 (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).

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 in connection with the next Coupon Payment (or, after the First Reset Date, the next four Coupon Payments).

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 Conditions, administration proceedings) is limited to circumstances where a payment has become due. Pursuant to Condition 2(b), no principal or Payment will be due if the Solvency Condition is not met, or if the Issuer would not otherwise be solvent. Also, in the case of any Payment, such Payment will not be due, if the Issuer has elected to defer that Payment pursuant to Condition 4 or if the circumstances referred to in any of Conditions 6(d), 6(e) or 8(d) then apply. Accordingly, no event of 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(b) shall not constitute an event of default and no winding-up proceedings (or, if permitted by these 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 due date 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 on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed, the RCIs and the Coupons 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, 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, the RCIs or the Coupons (other than for the payment of any principal or satisfaction of any Payments in respect of the RCIs or the Coupons 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, the RCIs or the Coupons 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 or Couponholder 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 or Couponholder 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 or Couponholder (i) for the recovery of amounts owing in respect of the RCIs or the Coupons (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, the RCIs or the Coupons, other than as provided in paragraph (b) above.

## 11. Taxation

All payments by 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 or Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the RCIs or, as the case may be, Coupons 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 or Coupon presented for payment:

- (a) by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such RCI or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such RCI or Coupon; or
- (b) unless it is proved to the satisfaction of the Paying Agent to whom the same is presented 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) in the United Kingdom; or
- (d) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days; or
- (e) where such withholding or deduction is imposed on a payment to an individual and 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
- (f) by or on behalf of a holder of a RCI or a Coupon who would have been able to avoid such withholding or deduction by presenting the relevant RCI or Coupon to 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 and Coupons (which, for this purpose shall not include Talons) will become void unless presented for payment within a period of 10 years in the case of RCIs and five years in the case of Coupons from the Relevant Date relating thereto. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition or Condition 8(a)(ii) or any Talon which would be void pursuant to Condition 8(a)(ii).

## 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, and on all Couponholders.

Notwithstanding any other provision of these Terms and Conditions, the Trustee may agree, without the consent of the RCI Holders or Couponholders, 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 Services Authority shall have been obtained.

Subject to the prior consent of the Financial Services Authority and as provided in the Trust Deed, the Trustee may agree with the Issuer, without the consent of the RCI Holders or Couponholders, 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, the RCIs and the Coupons. 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 or Couponholders 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 or Couponholder 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 or Couponholders except to the extent already provided in Condition 11 and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

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

#### **14. Replacement of the RCIs, Coupons and Talons**

Should any RCI, Coupon or Talon 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) 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, Coupons or Talons must be surrendered before any replacement RCIs, Coupons or Talons 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. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the RCI Holders in accordance with this Condition.

#### **17. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the RCI Holders or the Couponholders 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. Calculation Agent**

If a function expressed in these 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. If the Calculation Agent 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, 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.

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 RCI Holders and the Couponholders.

None of the Issuer, the Holding Company, the Trustee or the Paying 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, the RCIs, the Coupons and the Talons are governed by, and shall be construed in accordance with, the laws of England.

## **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.

## **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 6(e);

“**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 as statutory auditors to the Issuer or such other auditor as may be appointed from time to time;

“**Authorised Denominations**” means £50,000;

“**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 Conditions;

**“Capital Regulations”** means at any time the regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Financial Services Authority or such other governmental authority in the United Kingdom (or if the Issuer becomes domiciled in a jurisdiction other than the United Kingdom, in such other jurisdiction) having primary bank supervisory authority with respect to the Issuer;

**“Coupon”** means an interest coupon relating to an RCI and includes, where the context so permits, a Talon;

**“Coupon Amount”** means the amount of interest payable on the presentation and surrender of each Coupon for the relevant Coupon Period in accordance with Condition 5;

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

**“Couponholder”** means the bearer of any Coupon;

**“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 December in each year, starting 15 December 2006, save that the first payment will be made on 15 December 2006 in respect of the period from (and including) 31 March 2006 to (but excluding) 15 December 2006 and will amount to £1,891.20 per £50,000 principal amount of the RCIs, and (ii) after the First Reset Date, 15 March, 15 June, 15 September and 15 December and in each year, starting 15 March 2037 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;

**“Day Count Fraction”** means (i) in respect of the period from (and including) the Issue Date to (but excluding) the First Reset Date, the actual number of days elapsed divided by the actual number of days in the relevant Coupon Period and (ii) in respect of each Coupon Period after the First Reset Date, the actual number of days elapsed 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, the Issuer has elected to defer and which has not been satisfied;

“**EEA Regulated Market**” means a market as defined by Article 1(13) of the Investment Services Directive 93/22/EEC;

“**Existing RCIs**” means each of the Issuer’s outstanding 7.50% Step-up Callable Perpetual Reserve Capital Instruments issued on 3 May 2000, 8.55% Step-up Callable Perpetual Reserve Capital Instruments issued on 19 September 2000 and 7.375% Step-up Callable Perpetual Reserve Capital Instruments issued on 5 June 2001 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% 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);

“**First Reset Date**” means 15 December 2036;

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

“**Holding Company**” means Barclays PLC;

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

“**Issue Date**” means 31 March 2006, 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% Undated Subordinated Notes, 9% Permanent Interest Bearing Capital Bonds, 7.125% Undated Subordinated Notes, 6.875% Undated Subordinated Notes, 6.5% Undated Subordinated Notes, 6.375% Undated Subordinated Notes, 6.125% 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, 5.03% Reverse Dual Currency Undated Subordinated Loan, 5% Reverse Dual Currency Undated Subordinated Loan, 9.25% 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 non-satisfaction 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 dated 31 March 2006 between the Issuer, the Holding Company, the Trustee and the Paying Agents, relating to the RCIs under which 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 business in London and, in the case of a presentation or surrender of a RCI, in the place of the specified office of the relevant Paying Agent to whom the same is presented or surrendered;

“**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;

“**RCIs**” means the £500,000,000 5.3304% 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 and forming a single series with the RCIs;

“**RCI Holder**” means the bearer of any RCI;

“**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 4.25 per cent. Treasury Stock due March 2036, or if such security is no longer in issue, such other United Kingdom Government security as the Calculation Agent may, with the advice of three brokers of, and/or market makers in, United Kingdom Government securities selected by the Calculation Agent, determine to be appropriate for determining the Suspension Redemption Price;

“**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, 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;

“**subsidiary**” and “**holding company**” have the meanings ascribed to them under section 736 of the Companies Act 1985;

“**Substituted Issuer**” has the meaning ascribed to it in Condition 13;

“**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 the RCIs, 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 the Reference Bond plus 0.50 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;

“**Talon**” means a talon for further Coupons;

“**Tier 1 Capital**” has the meaning ascribed to it in the Financial Services Authority’s Interim Prudential Sourcebook for Banks or any successor publication replacing such guide;

“**Trust Deed**” means the trust deed dated 31 March 2006 between the Issuer, the Holding Company and the Trustee, relating to the RCIs;

“**Trustee**” means The Bank of New York 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.

## USE OF PROCEEDS

The net proceeds of the issue of the RCIs, estimated to amount to £495,625,000, will be used for the development and expansion of the business of the Bank and its subsidiaries and further to strengthen the capital base of the Bank.

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

### Exchange

The RCIs will be represented initially by the Temporary Global RCI in bearer form without coupons or talons which will be deposited outside the United States with a common depository for Clearstream, Luxembourg and Euroclear on or about the Issue Date. The Temporary Global RCI will be exchangeable in whole or in part (free of charge to the holder) for interests in the Permanent Global RCI in bearer form without coupons or talons on or after a date which is expected to be 11 May 2006 (the “**Exchange Date**”) upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations and as described in the Temporary Global RCI. Upon deposit of the Temporary Global RCI or the Permanent Global RCI (each a “**Global RCI**”) with a common depository for Clearstream, Luxembourg and Euroclear, Clearstream, Luxembourg and Euroclear will credit each subscriber with a principal amount of RCIs equal to the principal amount thereof for which it has subscribed and paid.

The RCIs will be in bearer form and in denominations of £50,000, provided that, for so long as the RCIs are represented by the Temporary Global RCI or the Permanent Global RCI and the relevant clearing system(s) so permit(s), the RCIs shall be tradeable in minimum principal amounts of £50,000 and integral multiples of £1,000 in excess thereof. The Permanent Global RCI will be exchangeable in whole, but not in part, for RCIs in definitive form (the “**Definitive RCIs**”) in denominations of £50,000 only, with coupons for principal and interest and talons for further coupons attached, only in the limited circumstances described below.

For so long as the RCIs are represented by a Global RCI and Euroclear and Clearstream, Luxembourg so permit, the RCIs shall be tradable in minimum nominal amounts of £50,000 and integral multiples of £1,000 in excess thereof. If Definitive RCIs are required to be issued in the limited circumstances specified in the Permanent Global RCI, they will only be printed and issued in denominations of £50,000. Accordingly, if Definitive RCIs are required to be issued, an RCI Holder having an original nominal amount which cannot be fully represented by Definitive RCIs in the denomination of £50,000 will not be able to receive a Definitive RCI in respect of the original nominal amount of the RCIs by which the original nominal amount of such holding of RCIs exceeds the next lowest integral multiple of £50,000, (the “**Excess Amount**”) and will not be able to receive interest or principal in respect of the Excess Amount. Accordingly, RCI Holders who hold RCIs in the relevant clearing system in amounts that are not integral multiples of £50,000 may need to purchase or sell, prior to the date on which the Permanent Global RCI is exchanged for Definitive RCIs, a principal amount of RCIs such that their holding is an integral multiple of £50,000.

Each of the persons shown in the records of Clearstream, Luxembourg or Euroclear as the holder of an RCI represented by a Global RCI must look solely to Clearstream, Luxembourg or Euroclear (as the case may be) for his share of each payment made by the Bank to the bearer of such Global RCI, subject to, and in accordance with, the respective rules and procedures of Clearstream, Luxembourg or Euroclear (as the case may be).

The Global RCIs will contain provisions applicable to the RCIs represented thereby, some of which modify the effect of the Terms and Conditions of the RCIs. Certain of these are summarised in this section.

For so long as any of the RCIs are represented by a Global RCI, each person who is for the time being shown in the records of Clearstream, Luxembourg, Euroclear and/or any Alternative Clearing System (as defined below) as the holder of a particular principal amount of such RCIs (in which regard any certificate or other document issued by Clearstream, Luxembourg, Euroclear and/or any Alternative Clearing System as to the principal amount of such RCIs standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and the Paying Agents as the holder of such principal amount of

such RCIs for all purposes other than with respect to the payment of principal and interest on such principal amount of such RCIs, the right to which shall be vested, as against the Issuer, the Trustee and the Paying Agents, solely in the bearer of the Global RCI (all in accordance with and subject to its terms and the Trust Deed), and the expression “**RCI Holder**” and related expressions shall be construed accordingly. Interests in RCIs which are represented by a Global RCI will only be transferable in accordance with the rules and procedures for the time being of Clearstream, Luxembourg and/or Euroclear, as the case may be.

If any date on which a payment is due on the RCIs occurs prior to the Exchange Date, the relevant payment will be made on the Temporary Global RCI only to the extent that certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations (in substantially the form referred to in the Temporary Global RCI or in such other form as is customarily issued in such circumstances by the relevant clearing system or depositary) has been received by Clearstream, Luxembourg or Euroclear. Payment of amounts due in respect of the Permanent Global RCI will be made through Clearstream, Luxembourg or Euroclear without any requirement for certification.

The holder of the Temporary Global RCI shall not (unless, upon due presentation of such Temporary Global RCI for exchange (in whole or in part) for interests in the Permanent Global RCI, such exchange or delivery is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the RCIs represented by such Temporary Global RCI which falls due on or after the Exchange Date.

Interests in the Permanent Global RCI will be exchangeable in whole but not in part (free of charge to the holder) for definitive bearer RCIs (a) if Clearstream, Luxembourg or Euroclear or the Alternative Clearing System is closed for business for a continuous period of 14 days (other than by reason of public holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so and no alternative clearing system satisfactory to the Trustee is available; or (b) if 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.

Thereupon, in the case of (a) above, the holder of the Permanent Global RCI (acting on the instructions of holder(s) of an interest in the Permanent Global RCI) may give notice to the Issuer and, in the case of (b) above, the Issuer may give notice to the Trustee and the RCI Holders, of its intention to exchange the Permanent Global RCI for definitive RCIs on or after the Permanent Global Exchange Date (as defined below) specified in the notice.

On or after the Permanent Global Exchange Date, the holder of the Permanent Global RCI shall surrender the Permanent Global RCI to or to the order of the Principal Paying Agent. In exchange for the Permanent Global RCI, the Bank shall deliver, or procure the delivery of, an equal aggregate principal amount of definitive RCIs having attached to them all coupons (and talons) in respect of interest which has not already been paid on the Permanent Global RCI, security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Permanent Global RCI, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive RCIs.

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

“**Permanent Global Exchange Date**” means a day, specified in the notice requiring exchange, falling not less than 60 days after that on which such notice is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (a) above, in the cities in which Euroclear and Clearstream, Luxembourg or, if relevant, the Alternative Clearing System are located.

## **Payments**

Principal and interest (if any) payable with respect to the Temporary Global RCI or the Permanent Global RCI will be paid to Clearstream, Luxembourg and/or Euroclear (and/or any Alternative Clearing System) with respect to that portion of such Global RCI which is held for its account (subject, in the case of the Temporary Global RCI, to the certifications referred to therein). Each of Clearstream, Luxembourg and/or Euroclear (and/or any Alternative Clearing System) will in such circumstances credit the principal or, as the case may be, interest in respect of such Global RCI to the persons credited in its records with interests in such Global RCI. No person shall however be entitled to receive any payment on the Permanent Global RCI falling due after the Permanent Global Exchange Date, unless exchange of the Permanent Global RCI for definitive RCIs is improperly withheld or refused by or on behalf of the Issuer.

## **Notices**

So long as the Permanent Global RCI is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System, notices required to be given to RCI Holders may be given by their being delivered to Euroclear and/or Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System, rather than by publication as required by the Terms and Conditions of the RCIs, subject to any applicable regulatory and stock exchange requirements. Any such notice shall be deemed to have been given to the RCI Holders on the seventh day after that on which the notice is given to Clearstream, Luxembourg and/or Euroclear (and/or the Alternative Clearing System).

## **Meetings**

The holder of the Permanent Global RCI 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 Permanent Global RCI may be exchanged.

## **Purchase and Cancellation**

Cancellation of any RCI represented by the Permanent Global RCI 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 Permanent Global RCI.

## **Trustee's Powers**

In considering the interests of RCI Holders in circumstances where the Permanent Global RCI 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 the Permanent Global RCI and may consider such interests on the basis that such accountholders were the holder of the Permanent Global RCI.

## 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 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, Barclays Bank 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 Barclays PLC, which is the ultimate holding company of the Group and one of the largest financial services companies in the world by market capitalisation.

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 Ratings Limited and the long-term obligations of the Issuer are rated AA by Standard & Poor’s, Aa1 by Moody’s and AA+ by Fitch Ratings Limited.

Barclays PLC and the Issuer have applied International Financial Reporting Standards (“**IFRS**”) from 1 January 2004, with the exception of the standards relating to financial instruments (IAS 32 and IAS 39) and insurance contracts (IFRS 4) which were applied only with effect from 1 January 2005. Therefore, in the 2005 Barclays PLC Annual Report and the 2005 Issuer Annual Report, the impacts of adopting IAS 32, IAS 39 and IFRS 4 are not included in the 2004 comparatives in accordance with First-time Adoption of International Financial Reporting Standards (IFRS 1). The results for 2005 are therefore not entirely comparable to those for 2004 in affected areas.

Based on the audited financial information for the year ended 31 December 2005, the Group had total assets of £924,170 million (2004: £538,300 million), total net loans and advances<sup>1</sup> of £300,001 million (2004: £343,041 million), total deposits<sup>2</sup> of £313,811 million (2004: £328,516 million), and total shareholders’ equity of £24,243 million (2004: £16,849 million) (including minority interests of £1,578 million (2004: £211 million)). The profit before tax of the Group for the year ended 31 December 2005 was £5,311 million (2004: £4,589 million) after charging an impairment loss on loans and advances and other credit provisions of £1,571 million (2004: £1,093 million). The financial information in this paragraph is extracted from the audited 2005 Issuer Annual Report.

### Barclays PLC Results Announcement

The following are extracts from the Barclays PLC Results Announcement:

#### Group performance

Barclays delivered strong financial results in 2005. Profit before tax was £5,280m, an increase of 15% from 2004. Earnings per share rose 7%, and economic profit<sup>3</sup> was up 12%. Return on average shareholders’ funds was 21% and we have increased the total dividend payout 11%.

Income<sup>4</sup> rose 23%, an increase which was broadly spread across the Group with most businesses reporting double digit income growth and UK Retail Banking returning to modest top line growth.

Operating expenses grew in line with income, reflecting significant investment directed to the global product businesses, higher performance-related expenses, the expansion of International Retail and

1 Total net loans and advances include balances relating to both banks and customers accounts.

2 Total deposits include deposits from banks and customers accounts.

3 Economic profit comprises (i) profit after tax and minority interests; less (ii) capital charge (average shareholders’ equity excluding minority interests multiplied by the Group cost of capital).

4 Total income net of insurance claims.



Commercial Banking and head office relocation. Excluding the first time contribution of Absa, income and operating expenses increased 16%.

Impairment charges increased 44% to £1,571m (2004: £1,093m). This reflected some large one-off releases and recoveries in 2004, the impact of acquisitions in 2005 and changes in methodology. Excluding these factors, the underlying rate of growth in impairment charges was 24%, driven by a continued increase in arrears balances and lower rates of recovery from customers in UK credit cards. Impairment charges rose at a slower rate in unsecured loans and were minimal in UK mortgages. Wholesale and corporate credit conditions were stable.

## Business performance

**UK Banking** produced good profit<sup>5</sup> growth, up 8%, to £2,455m (2004: £2,265m) and outperformed its productivity target for 2005 with the cost:income<sup>4</sup> ratio improving by three percentage points.

**UK Retail Banking** achieved solid income<sup>4</sup> growth of 4% in 2005, with a marked pick-up in the second half of the year which we believe establishes good momentum for 2006. Operating expenses decreased 3% through strong cost control whilst continuing targeted reinvestment to improve customer service and the branch network. Profit before tax grew 7% to £1,027m (2004: £963m). Excluding the gain on the sale of our stake in Edotech in 2004, underlying profit before tax increased 12%.

**UK Business Banking** profit before tax increased 10% to £1,428m (2004: £1,302m), driven by strong income and balance sheet growth. Operating expenses grew slower than income<sup>4</sup> leading to an improved cost:income<sup>4</sup> ratio of 35%.

**Barclays Capital** continued its very strong growth of recent years, with profit before tax in 2005 rising 25% to £1,272m (2004: £1,020m). Income<sup>4</sup> growth of 27% was broadly based across products and geographies. The year also saw continued investment in building Barclays Capital's scale and diversity in terms of geography, products and people. As a result of investment and the profit performance, operating expenses grew 28%. Market risk was well-controlled with DVaR<sup>6</sup> falling 6% to £32m as a result of increased diversification. The rate of growth of earnings once again exceeded the rate of growth of capital consumption.

**Barclays Global Investors** achieved outstanding results, with profit before tax rising 61% to £542m (2004: £336m), reflecting strong growth in net new assets, very good investment performance and a continuing improvement in operating margins. Income<sup>4</sup> growth of 48% was driven by significant increases in management fees, incentive fees, and securities lending revenues. Operating expenses rose 40%, reflecting higher performance based compensation and significant investment in the platform and in innovative new products.

**Wealth Management** profit before tax rose 56% to £172m (2004: £110m) – a very strong performance driven by broad based income<sup>4</sup> growth of 11% and improved cost efficiency. Operating expenses grew only 3% as efficiency savings funded significant cost restructuring and investment programmes.

**Barclaycard** profit before tax fell 19% to £687m (2004: £843m) driven by higher levels of impairment in the UK and continued investment in the International business. Income<sup>4</sup> growth of 15% reflected good performances by the UK cards and loans businesses and very strong international growth. Operating expenses rose 21%, reflecting continued heavy investment in the business, particularly internationally. The Barclaycard US business, previously Juniper, grew strongly in line with plans, and cards in Spain and Germany performed strongly.

4 Total income net of insurance claims.

5 Profit before tax.

6 Daily Value at Risk (DVaR) is an estimate of the potential loss which might arise from unfavourable market movements, if the current positions were to be held unchanged for one business day, measured to a confidence interval of 98%.

**International Retail and Commercial Banking** was transformed by the acquisition of Absa. **International Retail and Commercial Banking excluding Absa** increased profit before tax 21% to £355m (2004: £293m). Income<sup>4</sup> growth of 20% reflected strong balance sheet growth in Europe and Africa. Operating expenses grew in line with income<sup>4</sup> as we accelerated the integration of Banco Zaragozano. Excluding integration costs, Barclays Spain increased profit before tax 25% to £156m (2004: £125m).

We completed the acquisition of a majority stake in Absa Group Limited in July 2005. Absa Group Limited reported 28% growth in profit before tax to R7,031m for the 9 month period to 31st December 2005<sup>7</sup>. For the 5 month period of Barclays ownership, Absa contributed £335m to profit before tax and the performance of Absa is well ahead of the business plan that underpinned the acquisition.

**Head office functions and other operations** loss before tax increased to £532m (2004: £235m). This was driven by accounting adjustments to eliminate inter-segment transactions of £204m (2004: £69m) and non-recurring costs of £165m (2004: £32m) including the costs of head office relocation and write-off of capitalised IT related assets.

### Capital strength

Our strong credit rating and disciplined approach to capital management remain sources of competitive advantage. Our capital management policies are designed to optimise the returns to shareholders whilst maintaining our rating.

At the end of 2005, our tier 1 capital ratio was 7.0% and our risk asset ratio was 11.3%. Over the past two years we have consciously sought to address the extent to which we are carrying surplus capital and to use our resources more intensively. In 2004, we bought back approximately £700m in shares and we have changed the mix of our core capital in both 2004 and 2005 by introducing preference shares into the capital base. In 2005, we acquired Absa Group Limited without issuing ordinary equity, made a number of other smaller acquisitions, increased weighted risk assets 10% excluding Absa and paid dividends of £1.6bn. Despite this we ended the year with a tier 1 ratio only marginally changed from the level post the impact of IFRS at the beginning of the year. This resulted from the strong cash flow generation of our business portfolio and the efficient management of the balance sheet through the use of the capital markets.

### Recent developments, competition and regulatory matters

On 13 March 2006 the Issuer announced that it had signed a non-binding letter of intent with Canadian Imperial Bank of Commerce (“CIBC”) for the sale of Barclays 43.7% stake in FirstCaribbean International Bank (“**FirstCaribbean**”) to CIBC. The transaction is anticipated to take place at a price of US\$1.62 per FirstCaribbean share with a total transaction value of approximately US\$1.08 billion. The proposed transaction is subject to the completion of due diligence, the negotiation and execution of definitive documentation and regulatory approval. It is anticipated that the transaction will complete late in 2006.

On 1 January 2006, Barclays completed the sale to Absa Group Limited of the Barclays South African branch business (the “**business**”). The business consists of the Barclays Capital South African operations and Corporate and Business Banking activities carried out by International Retail and Commercial Banking (South African branch), together with the associated assets and liabilities.

There is continuing political and regulatory scrutiny of, and major changes in, legislation and regulation of the retail banking and consumer credit industries in the UK and elsewhere.

<sup>4</sup> Total income net of insurance claims.

<sup>7</sup> Absa has changed its financial year-end to 31 December to conform with Barclays. The comparable period comprises unaudited results for the nine months ended 31 December 2004.

In the European Union (“EU”) as a whole, this includes an inquiry into retail banking in all 25 member states by the European Commission’s Directorate General for Competition. The inquiry is looking at retail banking in Europe generally and the Group is co-operating with the enquiry. The outcome of the inquiry is unclear, but it may have an impact on retail banking in one or more of the EU countries in which the Group operates and therefore on the Group’s business in that sector.

In the UK, in September 2005, the Office of Fair Trading (“OFT”) received a super-complaint from the Citizens Advice Bureau relating to payment protection insurance (“PPI”). As a result of its inquiries, the OFT then announced in December 2005 that it will commence a market study on PPI in March 2006. The scope and impact of the study is not known at present.

In relation to UK consumer credit:

- The OFT has carried out investigations into Visa and MasterCard credit card interchange rates. The decision by the OFT in the MasterCard interchange case is being appealed to the Competition Appeals Tribunal and the appeal is expected to be heard towards the end of 2006. The OFT’s investigation in the Visa interchange case is at an earlier stage.
- The OFT also has a continuing investigation into the level of late and over-limit fees on credit cards. The OFT issued a press release in July 2005 stating that their provisional conclusion was that these fees were excessive and need to be reduced to be fair. The OFT gave Barclaycard, and seven other credit card companies, three months to provide suitable undertakings regarding the basis of these charges or otherwise to address the concerns of the OFT. Barclaycard responded to the OFT in October 2005 further explaining the position Barclaycard takes in respect of late and over-limit fees and has continued to work with the OFT to address its concerns. Barclays continues to consider the impact of the provisional finding on the credit card industry and Barclaycard, including steps to mitigate any financial impact on shareholders.

These investigations are looking at several aspects of the UK consumer credit industry and the Group is co-operating with them. Their outcome is not known but they may have an impact on the consumer credit industry in general and therefore on the Group’s business in this sector.

The OFT announced in January 2006 that it would be reviewing the undertakings given following the conclusion of the Competition Commission Inquiry in 2002 into the supply of banking services to SMEs. The OFT will commence that review in March 2006 and anticipates that it will take them 9 months. The Group will cooperate fully with that review.

**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 activity</i>
Matthew W. Barrett	Group Chairman	Member of International Advisory Committee, Federal Reserve Bank of New York
John Varley	Group Chief Executive	—
Naguib Kheraj	Group Finance Director	—

<i>Name</i>	<i>Function(s) within the Group</i>	<i>Principal outside activity</i>
Robert E. Diamond Jr.	President, Barclays PLC Chief Executive, Investment Banking and Investment Management	—
Gary Hoffman	Chairman, Barclaycard Chairman, UK Banking	—
David Roberts	Chief Executive, International Retail and Commercial Banking	—
Sir Nigel Rudd DL	Deputy Chairman, Non-Executive Director	Chairman, Pilkington PLC, Chairman, Pendragon PLC, Chairman, Boots Group PLC
Sir David Arculus	Non-Executive Director	Director, Telefónica S.A.
Sir Richard Broadbent	Senior Independent Director	Chairman, Arriva plc
Leigh Clifford	Non-Executive Director	Chief Executive, Rio Tinto PLC
Dr. Danie Cronjé	Non-Executive Director and Chairman of Absa Group Limited	—
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
Stephen Russell	Non-Executive Director	—
Robert Steel	Non-Executive Director	Senior Fellow, Harvard University's John F. Kennedy School of Government
John Sunderland	Non-Executive Director	Chairman, Cadbury Schweppes PLC

Fulvio Conti has been appointed to the Board of Directors of the Issuer as a Non-Executive Director, with effect from 1 April 2006.

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 in respect of their management roles.

### **Employees**

The average number of persons employed by the Group worldwide during the year, excluding agency staff, was 92,800 (2004: 77,000).

### **Financial Information**

The financial information set out on this page and pages 45 and 46 have been extracted without material adjustment from the audited 2005 Issuer Annual Report. The financial information has been prepared in accordance with IFRS. Dashes have been used where the application of IFRS causes an item to be not applicable or where there is no amount to report.

## CONSOLIDATED INCOME STATEMENT

<i>For the year ended 31 December</i>	2005	2004
	<i>£m</i>	<i>£m</i>
<b>Continuing operations</b>		
Interest income.....	17,232	13,880
Interest expense .....	(9,157)	(7,047)
Net interest income .....	8,075	6,833
Fee and commission income.....	6,430	5,509
Fee and commission expense .....	(725)	(662)
Net fee and commission income .....	5,705	4,847
Net trading income .....	2,321	1,487
Net investment income .....	858	1,027
Principal transactions .....	3,179	2,514
Net premiums from insurance contracts.....	872	1,042
Other income .....	178	140
Total income .....	18,009	15,376
Net claims and benefits paid on insurance contracts.....	(645)	(1,259)
Total income net of insurance claims.....	17,364	14,117
Impairment charge and other credit provisions .....	(1,571)	(1,093)
Net income .....	15,793	13,024
Operating expenses excluding amortisation of intangible assets.....	(10,448)	(8,514)
Amortisation of intangible assets .....	(79)	(22)
Operating expenses.....	(10,527)	(8,536)
Share of post-tax results of associates and joint ventures .....	45	56
Profit on disposal of associates and joint ventures.....	–	45
Profit before tax .....	5,311	4,589
Tax .....	(1,439)	(1,279)
Profit for the year .....	3,872	3,310
Profit attributable to minority interests.....	177	47
Profit attributable to equity holders .....	3,695	3,263
	<u>3,872</u>	<u>3,310</u>

## CONSOLIDATED BALANCE SHEET

<i>As at 31 December</i>	2005	2004
	£m	£m
<b>Assets</b>		
Cash and balances at central banks .....	3,506	1,753
Items in the course of collection from other banks .....	1,901	1,772
Treasury bills and other eligible bills .....	–	6,658
Trading portfolio assets .....	155,730	–
Financial assets designated at fair value:		
– held on own account .....	12,904	–
– held in respect of linked liabilities to customers under investment contracts .....	83,193	–
Derivative financial instruments .....	136,823	–
Loans and advances to banks .....	31,105	80,632
Loans and advances to customers.....	268,896	262,409
Debt securities .....	–	130,311
Equity shares .....	–	11,518
Available for sale financial investments.....	53,703	–
Reverse repurchase agreements and cash collateral on securities borrowed .....	160,398	–
Other assets.....	4,620	25,915
Insurance assets including unit linked assets .....	114	8,576
Investments in associates and joint ventures .....	546	429
Goodwill .....	6,022	4,518
Intangible assets.....	1,269	139
Property, plant and equipment .....	2,754	2,282
Deferred tax assets .....	686	1,388
<b>Total assets .....</b>	<b>924,170</b>	<b>538,300</b>

## CONSOLIDATED BALANCE SHEET

<i>As at 31 December</i>	2005	2004
	£m	£m
<b>Liabilities</b>		
Deposits from banks .....	75,127	111,024
Items in the course of collection due to other banks .....	2,341	1,205
Customer accounts .....	238,684	217,492
Trading portfolio liabilities .....	71,564	–
Financial liabilities designated at fair value:		
– held on own account .....	33,385	–
Liabilities to customers under investment contracts .....	85,201	–
Derivative financial instruments .....	137,971	–
Debt securities in issue .....	103,328	83,842
Repurchase agreements and cash collateral on securities lent .....	121,178	–
Other liabilities .....	11,131	82,970
Current tax liabilities .....	747	621
Insurance contract liabilities, including unit-linked liabilities .....	3,767	8,377
Subordinated liabilities:		
– Undated loan capital – non convertible .....	4,397	6,149
– Dated loan capital – convertible .....	38	15
– Dated loan capital – non convertible .....	8,028	6,113
Deferred tax liabilities .....	700	1,362
Other provisions for liabilities .....	517	416
Retirement benefit liabilities .....	1,823	1,865
<b>Total liabilities</b> .....	<b>899,927</b>	<b>521,451</b>
<b>Shareholders' equity</b>		
Called up share capital .....	2,348	2,316
Share premium account .....	8,882	6,531
Available for sale reserve .....	257	–
Cash flow hedging reserve .....	70	–
Other shareholders' funds .....	2,490	–
Translation reserve .....	156	(58)
Retained earnings .....	8,462	7,849
<b>Shareholders' equity excluding minority interests</b> .....	<b>22,665</b>	<b>16,638</b>
<b>Minority interests</b> .....	<b>1,578</b>	<b>211</b>
<b>Total shareholders' equity</b> .....	<b>24,243</b>	<b>16,849</b>
<b>Total liabilities and shareholders' equity</b> .....	<b>924,170</b>	<b>538,300</b>

## UNITED KINGDOM TAXATION

*The following is a summary of the United Kingdom withholding taxation treatment as at the date hereof in relation to payments of interest in respect of the RClS. It 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 RClS. The comments relate only to the position of persons who are absolute beneficial owners of the RClS. The following is a general guide and should be treated with appropriate caution. RCl Holders 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 RClS 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 RClS are listed on a recognised stock exchange, as defined in section 841 of the Income and Corporation Taxes Act 1988 (“ICTA”). On the basis of the United Kingdom HM Revenue and Customs (“HMRC”) published interpretation of the relevant legislation, securities which are to be listed on a stock exchange in a country which is a member state of the European Union or which is part of the European Economic Area will satisfy this requirement if they are listed by a competent authority in that country and are admitted to trading on a recognised stock exchange in that country. The London Stock Exchange is a recognised stock exchange for these purposes.

If the RClS cease to be listed on a recognised stock exchange, interest on the RClS will generally fall to be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent.) subject to any direction to the contrary from 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 RClS*”).

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 RClS are and continue to be listed on a recognised stock exchange, payments of interest on the RClS 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 RClS cease to be listed on a recognised stock exchange, interest on the RClS 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 may:

- 1.1.1 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 applicable rate (currently 20 per cent.); or
- 1.1.2 where it is impracticable to retain shares on account of income tax under paragraph 1.1.1 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 of ICTA (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.

With effect from 6 April 2006 the provisions referred to above may also apply, in certain circumstances, to payments made on redemption of any RCIs where the amount payable on redemption is greater than the issue price of the RCIs.

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

3.1.1 Where interest has been paid (including where the Bank issues shares in satisfaction of an interest payment) under deduction of United Kingdom withholding 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.

3.1.2 The references to “interest” and “principal” in Parts 1 and 2 above mean “interest” and “principal” 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.

3.1.3 The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the issuer of the RCIs 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 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 agreed to adopt 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 in a Member State. In addition, the Member States have entered into reciprocal 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 in one of those territories.

## SUBSCRIPTION AND SALE

### Subscription Agreement

Under a Subscription Agreement entered into with the Issuer on 27 March 2006, Barclays Capital Securities Limited (the “**Lead Manager**”) and the other managers named therein (each a “**Manager**” and together the “**Managers**”) have agreed to subscribe for the RClS at the issue price of 100 per cent. of their principal amount. The Bank has agreed to pay to the Managers a combined selling, management and underwriting commission of 0.875 per cent. of the principal amount of the RClS. The Subscription Agreement is subject to termination in certain circumstances prior to payment to the Issuer.

### Selling Restrictions

#### *United States of America*

The RClS have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

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

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

#### *United Kingdom*

Each Manager has represented, warranted and agreed that:

- (1) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”)) received by it in connection with the issue or sale of any RClS in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and
- (2) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the RClS in, from or otherwise involving the United Kingdom.

#### *General*

With the exception of the approval by the United Kingdom Financial Services Authority of this Prospectus as a prospectus issued in compliance with the Prospectus Directive and relevant

implementing measures in the United Kingdom, no action has been or will be taken in any jurisdiction by the Issuer or the Managers 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 the Managers 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 passed by the Fund Raising Committee of the Board of Directors of the Issuer on 23 March 2006.
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 Gilt-Edged and Fixed Interest Market. It is expected that the RCIs will be so admitted and listed as and when issued, subject only to the execution of the Temporary Global RCI. The total expenses relating to the admission to trading of the RCIs are estimated to be £2,725.
3. The RCIs have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The ISIN code for the RCIs is XS0248675364. The Common Code for the RCIs is 024867536. 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. Proceedings, including a class action, have been brought in the United States against a number of defendants, including the Issuer, following the collapse of Enron. In each case, the claims are against groups of defendants. The Issuer considers that the claims against it are without merit and is defending them vigorously. The trial of the class action claims relating to Enron is currently scheduled to begin in October 2006. A court-ordered mediation commenced in September 2003 but no material progress has been made towards a resolution of the litigation, although certain other defendants have reached settlements. In addition, in respect of investigations relating to Enron, the Issuer is continuing to provide information in response to enquiries by regulatory and governmental authorities in the United States and elsewhere. It is not possible to estimate the Issuer's possible loss in relation to these matters, nor the effect that it might have upon operating results in any particular financial period.

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

The Issuer is engaged in various other litigation proceedings both in the United Kingdom and a number of overseas jurisdictions, including the United States, involving claims by and against it, which arise in the ordinary course of business. The Issuer does not expect the ultimate resolution of any of the proceedings to which it is party to have a significant adverse effect on the financial position of the Group and the Issuer has not disclosed the contingent liabilities associated with these claims either because they cannot reasonably be estimated or because such disclosure could be prejudicial to the conduct of the claims.

Save as disclosed in the foregoing three 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 Issuer's and/or the Group's financial position or profitability.

5. There has been no significant change in the financial or trading position of the Issuer or the Group since 31 December 2005 and there has been no material adverse change in the prospects of the Issuer or the Group since 31 December 2005.
6. No optional redemption or purchase by the Issuer or any of its subsidiaries for cancellation of the RCIs will be made by the Issuer without the prior consent of the FSA (if required).
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 Gilt-Edged and Fixed Interest 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 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:
  - (i) the Memorandum and Articles of Association of the Issuer;
  - (ii) the audited joint Annual Report of Barclays PLC and the Issuer, as filed with the SEC on Form 20-F, in respect of the year ended 31 December 2004 and the Annual Report of the Issuer containing the audited consolidated accounts of the Issuer for the financial year ended 31 December 2004;
  - (iii) the amendment to the joint 2004 Annual Report of Barclays PLC and the Issuer, as filed with the SEC on Form 20-F/A on 6 May 2005;
  - (iv) the Annual Report containing the audited consolidated accounts of Barclays PLC for the year ended 31 December 2005;
  - (v) the Annual Report containing the audited consolidated accounts of the Issuer for the year ended 31 December 2005;
  - (vi) the Trust Deed;
  - (vii) the Paying Agency Agreement; and
  - (viii) any supplementary prospectus published since the most recent prospectus was published and any documents incorporated therein by reference.
8. This Prospectus will be published on the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com](http://www.londonstockexchange.com).
9. The following legend will appear on all Global RCIs and Definitive RCIs:

"Any United States Person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code".
10. The auditors of the Issuer are PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors of Southwark Towers, 32 London Bridge Street, London SE1 9SY, who have audited the Issuer's accounts, without qualification, for each of the two financial years ended on 31 December 2004 and 31 December 2005. The auditors of the Issuer have no material interest in the Issuer. By Regulation, the European Union agreed that virtually all listed companies must use International Financial Reporting Standards ("IFRS") adopted for use in the European Union in the preparation of their 2005 consolidated accounts. The audited Annual Report of the Issuer for 2004 was prepared in accordance with UK Generally Accepted Accounting Principles ("UK GAAP"). Barclays PLC and the Issuer have applied IFRS from 1 January 2004, with the exception of the standards relating to financial instruments (IAS 32 and IAS 39) and insurance contracts (IFRS 4) which were applied only with effect from 1 January 2005. Therefore, in the 2005 Barclays PLC Annual Report and the 2005 Issuer

Annual Report, the impacts of adopting IAS 32, IAS 39 and IFRS 4 are not included in the 2004 comparatives in accordance with First-time Adoption of International Financial Reporting Standards (IFRS 1). The results for 2005 are therefore not entirely comparable to those for 2004 in affected areas. A summary of the significant accounting policies for Barclays PLC and the Issuer is included in the 2005 Annual Reports for Barclays PLC and the Issuer.

**JOINT SECRETARIES AND REGISTERED  
OFFICE OF THE ISSUER**

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*To the Managers and to the Trustee*  
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