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**BARCLAYS**

**Barclays Bank PLC**

*(incorporated with limited liability in England)*

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**£400,000,000**

**6 per cent. Callable Perpetual Core Tier One Notes**

**Issue Price: 99.866 per cent.**

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The £400,000,000 6 per cent. Callable Perpetual Core Tier One Notes (the “TONs”) of Barclays Bank PLC (the “Issuer”) will bear interest from (and including) 4th July, 2002 to (but excluding) 15th June, 2032 at a rate of 6 per cent. per annum, payable semi-annually in arrear on 15th June and 15th December in each year, starting with 15th December, 2002. From (and including) 15th June, 2032, the TONs will bear interest at a rate, reset semi-annually, of 0.89 per cent. per annum above the London interbank offered rate for six-month sterling deposits, payable semi-annually in arrear on 15th June and 15th December in each year, all as more particularly described in “Terms and Conditions of the TONs — 5. Coupon Payments”. Coupon Payments (as defined herein) may be deferred as described in “Terms and Conditions of the TONs — 4. Coupon Deferral”, but the Issuer and Barclays PLC may not declare or pay dividends (other than a final dividend declared by Barclays PLC before deferral or intra-group dividends) on any of their respective shares, or satisfy payments of interest in respect of any Reserve Capital Instruments (“RCIs”), or redeem, purchase, reduce or otherwise acquire any of their respective share capital or any securities of their respective subsidiary undertakings ranking, as to payment of principal, *pari passu* with or junior to the TONs, other than shares or other securities held intra-group, until the Issuer next makes a Coupon Payment.

The TONs are redeemable (at the option of the Issuer) in whole but not in part on 15th June, 2032 or on each Coupon Payment Date (as defined herein) thereafter. In addition, the TONs may (at the option of the Issuer) be redeemed in the event that the Issuer is required to pay additional amounts as provided in “Terms and Conditions of the TONs — 11. Taxation” and, upon the occurrence of certain other tax or regulatory events, the TONs may (at the option of the Issuer) be exchanged or their terms varied so that they become Upper Tier 2 Securities (as defined herein), provided that if such tax or regulatory events do or would persist after such exchange or variation, the TONs may be redeemed on any Coupon Payment Date, all as more particularly described in “Terms and Conditions of the TONs — 7. Exchange, Variation, Redemption and Purchase”.

Under existing Financial Services Authority (“FSA”) requirements, the Issuer may not redeem or purchase any TONs unless the FSA has given its prior written consent.

The TONs will be unsecured obligations of the Issuer and will be subordinated to the claims of Senior Creditors (as defined herein). No payment of principal or interest in respect of the TONs may be made unless the Issuer is able to make such payment and remain solvent immediately thereafter. In the event of the winding up in England of the Issuer, the TON Holders (as defined herein) will, for the purpose only of calculating the amounts payable in respect of each TON, be treated as if they were the holders of preference shares in the capital of the Issuer ranking in the manner more particularly described in “Terms and Conditions of the TONs — 3. Winding-up”.

**For a description of certain matters that prospective investors should consider, see “Investment Considerations”.**

Application has been made to the FSA in its capacity as competent authority (the “United Kingdom Listing Authority”) under the Financial Services and Markets Act 2000 (the “FSMA”) for the TONs to be admitted to the official list of the United Kingdom Listing Authority (the “Official List”). Application has also been made to London Stock Exchange plc (the “London Stock Exchange”) for the TONs to be admitted to trading on the London Stock Exchange’s market for listed securities. Admission to the Official List together with admission to trading on the London Stock Exchange’s market for listed securities constitutes official listing on a stock exchange. A copy of this document, which comprises the listing particulars required by section 74 of the FSMA, has been delivered to the Registrar of Companies in England and Wales for registration as required by section 83 of the FSMA.

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**Barclays Capital**

**BNP PARIBAS**

**Merrill Lynch International**

**Goldman Sachs International**

**Cazenove**

**JPMorgan  
Morgan Stanley**

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

Any reference in this Offering Circular to listing particulars means this Offering Circular excluding all information incorporated by reference. The Issuer has confirmed that any information incorporated by reference, including any such information to which readers of this document are expressly referred, has not been and does not need to be included in the listing particulars to satisfy the requirements of the FSMA or the Listing Rules of the United Kingdom Listing Authority. The Issuer believes that none of the information incorporated herein by reference conflicts in any material respect with the information included in the listing particulars.

In connection with the issue and sale of the TONs, no person is authorised to give any information or to make any representation not contained in this document and neither the Issuer nor the Managers (as defined in “Subscription and Sale” below) accepts responsibility for any such information or representation. This document does not constitute an offer of, or an invitation to subscribe for, the TONs.

The distribution of this document and the offering or sale of the TONs in certain jurisdictions may be restricted by law. See “Subscription and Sale” below for a description, inter alia, of certain restrictions on offers, sales and deliveries of the TONs in the United States or to U.S. persons.

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

The TONs will be represented initially by a temporary global TON (the “**Temporary Global TON**”) which will be deposited outside the United States with a common depository for Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) and Euroclear Bank S.A./N.V. as operator of the Euroclear System (“**Euroclear**”) on or about 4th July, 2002. The Temporary Global TON will be exchangeable for interests in a permanent global TON (the “**Permanent Global TON**”) on or after a date which is expected to be 13th August, 2002 upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations and as described in the Temporary Global TON. Save in limited circumstances, TONs in definitive bearer form will not be issued in exchange for interests in a Permanent Global TON.

In this document all references to “£” are to pounds sterling, to “U.S. dollars” and “U.S.\$” are to United States dollars, to “¥” and “Yen” are to Japanese yen, to “€” and “euro” are to the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union, to “FRF” are to French francs, to “ITL” are to Italian lire and to “DM” are to Deutschmarks.

In connection with the issue and distribution of the TONs, Barclays Bank PLC or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the TONs at a level higher than that which might otherwise prevail. However, there may be no obligation on Barclays Bank PLC or any agent of it to do this. Such stabilising, if commenced, shall be conducted in accordance with all applicable laws and rules, may be discontinued at any time and must be brought to an end after a limited period.

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## SUMMARY

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*The following summary refers to certain provisions of the Terms and Conditions of the TONs and the Trust Deed and insofar as it refers to the Terms and Conditions of the TONs is qualified by the more detailed information contained elsewhere in this document. Defined terms used herein have the meaning given to them in “Terms and Conditions of the TONs”.*

Issuer	Barclays Bank PLC.
Holding Company	Barclays PLC.
Trustee	The Bank of New York.
Issue size	£400,000,000.
Redemption	The TONs are perpetual securities and have no maturity date. However, the TONs are redeemable in whole but not in part at the option of the Issuer, subject to the prior approval of the FSA and to the Auditors of the Issuer having reported to the Trustee within the previous six months that the Solvency Condition is met, at their principal amount together with any Outstanding Payments on 15th June, 2032 or any Coupon Payment Date thereafter.
Interest	The TONs bear interest at a rate of 6 per cent. per annum from (and including) 4th July, 2002 to (but excluding) 15th June, 2032, and thereafter at a rate, reset semi-annually, of 0.89 per cent. per annum above the London interbank offered rate for six-month sterling deposits.
Coupon Payment Dates	Except as described below, Coupon Payments will be payable on 15th June and 15th December in each year, commencing on 15th December, 2002, in respect of the period to and including 15th December, 2032, and thereafter, subject to adjustment for non-business days, on 15th June and 15th December in each year.
Subordination	The rights and claims of the TON Holders and the Couponholders are subordinated to the claims of Senior Creditors. No payment of principal or interest in respect of the TONs may be made unless the Issuer is able to make such payment and still be solvent immediately thereafter. Upon any winding-up of the Issuer (except, in limited circumstances, a solvent winding-up), the holder of each TON will, for the purpose only of calculating the amounts payable in respect of each TON, rank pari passu with the RCIs and with the holders of the most senior class or classes of preference shares (if any) of the Issuer then in issue and in priority to all other Issuer shareholders, and the TON Holder’s claim in the winding-up shall be limited to the principal amount of the relevant TON (and no amounts will be payable in respect of any Coupon).
Deferral of Coupon Payments	If the Issuer, at its sole discretion, determines, on the 20th business day prior to the date on which any Coupon Payment would, in the absence of deferral in accordance with Condition 4, be due and payable, that it is, or payment of the relevant Coupon Payment will result in the Issuer being, in non-compliance with applicable Capital Regulations, the Issuer may elect to defer such Coupon Payment, subject to the restrictions described below. Such Deferred Coupon Payment shall be satisfied only on the date upon which the TONs are redeemed, but shall not be paid in any other circumstances. No interest will accrue on a Deferred Coupon Payment.

Restrictions following deferral of Coupon Payments

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 ranking, as to the right of repayment of principal, *pari passu* with or junior to the TONs (other than shares or other securities 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.

Alternative coupon satisfaction mechanism

Investors will always receive payments made in respect of TONs in cash. However, if the Issuer either (i) defers a Coupon Payment or (ii) the Issuer does not redeem the TONs on the First Reset Date, then the Issuer must satisfy any obligation it may have to make any such Deferred Coupon Payment (in the case of (i)) or all Payments falling due after the First Reset Date (in the case of (ii)) to TON 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 TON Holders in respect of the relevant Payment. The Calculation Agent will calculate in advance the number of ordinary shares in the Holding Company required 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 TON 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 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 any Deferred Coupon Payment and, if the Issuer does not redeem the TONs on the First Reset Date, the next two Coupon Payments 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 at any time 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 TON 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 TONs 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 TONs as determined by an independent investment bank to be appropriate in order to preserve substantially the economic effect, for the TON Holders, of a holding of the TONs 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 TON will (subject to the prior consent of the FSA) be redeemed at its Suspension Redemption Price.
Additional amounts	The Issuer will pay additional amounts to TON Holders to gross up payments upon the imposition of UK withholding tax, subject to customary exceptions.
Exchange, variation or redemption for taxation reasons	The Issuer may, subject to the prior consent of the FSA, redeem all, but not some only, of the TONs 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 as provided in Condition 11 of the Terms and Conditions of the TONs, provided the Auditors of the Issuer have reported to the Trustee within the previous six months that the Solvency Condition is met. Upon the occurrence of certain other changes in the treatment of the TONs for taxation purposes, which changes affect payments of interest falling due on or prior to 15th June, 2032 the Issuer may, subject to the prior consent of the FSA, exchange the TONs for, or vary the terms of the TONs so that they become, Upper Tier 2 Securities or, if such change in tax treatment also affects or would affect the Upper Tier 2 Securities and provided the Auditors of the Issuer have reported to the Trustee within the previous six months that the Solvency Condition is met, redeem all, but not some only, of the TONs at their principal amount together with any Outstanding Payments.
Exchange, variation or redemption for regulatory reasons	The TONs will qualify as Tier 1 Capital for the purposes of the FSA's capital adequacy regulations. If at any time the TONs cease to qualify as Tier 1 Capital, the Issuer may, subject to the prior consent of the FSA, exchange the TONs for, or vary the terms of the TONs so that they become, Upper Tier 2 Securities or, if such exchanged or varied securities do not or would not qualify as Upper Tier 2 Capital or certain other provisions apply, and provided the Auditors have reported to the Trustee within the previous six months that the Solvency Condition is met, redeem all, but not some only, of the TONs 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 TON Holder or Couponholder for recovery of amounts owing in respect of any Payment or principal in respect of the TONs will be the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up.

Form	Bearer. The TONs will be represented initially by the Temporary Global TON which will be deposited outside the United States with a common depository for Clearstream, Luxembourg and Euroclear on or about 4th July, 2002. The Temporary Global TON will be exchangeable for interests in a Permanent Global TON on or after a date which is expected to be 13th August, 2002 upon certification as to non-US beneficial ownership as required by US Treasury regulations and as described in the Temporary Global TON. Save in limited circumstances, TONs in definitive bearer form with coupons and a talon attached on issue will not be issued in exchange for interests in the Permanent Global TON.
Listing	London.
Governing Law	English.
Rating	The TONs are expected to be assigned an A+ rating by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. and an Aa3 rating by Moody's Investors Service, Inc. 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.
Investment Considerations	Prospective investors should carefully consider the information under "Investment Considerations" in conjunction with the other information contained in this document.

## INVESTMENT CONSIDERATIONS

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

### DEFERRAL

The Issuer may elect to defer any Coupon Payment on the TONs if, in its sole discretion, it determines that, on the 20th business day prior to the date on which such Coupon Payment would, in the absence of deferral, be due and payable, the Deferral Condition is satisfied, as more particularly described in “Terms and Conditions of the TONs — 4. Coupon Deferral”. If the Issuer does defer a Coupon Payment, such Deferred Coupon Payment will be satisfied only on the date on which the TONs are redeemed. Any such Deferred Coupon Payment will not bear interest, and during the period of such deferral 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 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 shares, or satisfy payments of interest in respect of RCIs or (b) redeem, purchase, reduce or otherwise acquire any of their respective share capital or any securities of any of their respective subsidiary undertakings ranking, as to the right of repayment of principal, equal with or junior to the TONs (other than shares or other securities held by the Holding Company or a wholly-owned Subsidiary), in either case until the Issuer next makes a Coupon Payment.

### PERPETUAL SECURITIES

The Issuer is under no obligation to redeem the TONs at any time (save in the particular circumstances referred to in “Terms and Conditions of the TONs — 8. Payments — (d) Suspension”), and the TON Holders have no right to call for their redemption.

### REDEMPTION AND EXCHANGE RISK

The TONs 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 Issuer in the event that it is required to pay additional amounts as provided in “Terms and Conditions of the TONs — 11. Taxation”. In addition, upon the occurrence of certain other specified tax or regulatory events, which in the case of tax changes affect payments of interest falling due on or prior to 15th June, 2032, the TONs may be exchanged or their terms varied so that they become Upper Tier 2 Securities (bearing interest at a rate of 0.25 per cent. per annum below the Coupon Rate on the TONs, subject to any step-up on such Upper Tier 2 Securities) or, if such specified tax or regulatory event applies or would apply to the Upper Tier 2 Securities, the TONs may be redeemed at their outstanding principal amount together with any Outstanding Payments, all as more particularly described in “Terms and Conditions of the TONs — 7. Exchange, Variation, Redemption and Purchase”.

### NO LIMITATION ON ISSUING SECURITIES

There is no restriction on the amount of securities or indebtedness which the Issuer may issue or incur which ranks senior to or *pari passu* with the TONs. The issue of any such securities or indebtedness may reduce the amount recoverable by TON Holders on a winding-up of the Issuer or may increase the likelihood of a deferral of Payments on the TONs.

### AVAILABILITY OF SHARES

If the Issuer uses the alternative coupon satisfaction mechanism either to make a Deferred Coupon Payment or, if the Issuer does not redeem the TONs on the First Reset Date, to make any Payment and a sufficient number of ordinary shares in the Issuer or the Holding Company is not available, then the Issuer’s payment obligation shall be suspended to the extent of such insufficiency 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 TONs — 6. Alternative Coupon Satisfaction Mechanism — (d) Insufficiency”.

## **MARKET DISRUPTION EVENT**

If, following a decision by the Issuer to satisfy a payment using the alternative coupon satisfaction mechanism, a Market Disruption Event exists in the opinion of the Issuer, the payment to TON Holders may be deferred until the cessation of such market disruption, as more particularly described in “Terms and Conditions of the TONs — 6. Alternative Coupon Satisfaction Mechanism — (e) Market Disruption”. Any such deferred payments shall bear interest at the then-current rate applicable to the TONs 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 Issuer available to the Trustee or any TON Holder or Couponholder for recovery of amounts owing in respect of the TONs and Coupons will be the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up and the TON Holder’s claim in such winding-up shall be limited to the principal amount of the relevant TON (and no amounts will be payable in respect of any Coupon).

## **LIQUIDITY**

The TONs constitute a new issue of securities. Prior to this issue, there will have been no public market for the TONs. Although application has been made for the TONs to be admitted to the Official List and admitted to trading on the London Stock Exchange, there can be no assurance that an active public market for the TONs 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 TONs can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Issuer and other factors that generally influence the market prices of securities.

## TERMS AND CONDITIONS OF THE TONs

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*The following, subject to alteration, are the terms and conditions of the TONs which will be endorsed on each TON in definitive form (if issued).*

The TONs are constituted by the Trust Deed. The issue of the TONs was authorised pursuant to a resolution of a committee of the Board of Directors of the Issuer passed on 27th June, 2002. 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, the Agency Agreement and the Calculation Agency Agreement are available for inspection during normal business hours by the TON 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 TON 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, the Agency Agreement and the Calculation Agency Agreement applicable to them.

### 1. Form, Denomination and Title

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

The TONs 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 TONs, Coupons and Talons will pass by delivery. The bearer of any TON 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 TON Holder.

### 2. Status and Subordination

#### (a) *Status*

The TONs 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 TON Holders and the Couponholders are subordinated to the claims of Senior Creditors, in that payments in respect of the TONs (including the issue of Issuer Shares in accordance with Condition 6) are conditional upon the Issuer being solvent at the time of payment (or issue of such Issuer Shares) by the Issuer and in that no principal or Payments shall be due and payable in respect of the TONs (including 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 to Senior Creditors as they fall due and (ii) if the Auditors of the Issuer have reported to the Trustee within the previous six months that the Solvency Condition has been satisfied.

(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 (in the case of a Solvency Claim relating to principal only) as provided in Condition 3 or on any redemption (subject to Condition 2(b)(i)). A Solvency Claim shall not bear interest.

(iii) *Set-off:* Subject to applicable law, no TON 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 TONs and each TON Holder and

Couponholder shall, by virtue of his holding of any TON 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 Condition 2(b), any sums which would otherwise be payable in respect of the TONs will be available to meet the losses of the Issuer.

### 3. Winding-up

If at any time an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except in any such case for a solvent winding-up solely for the purpose of a reconstruction, amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer (as defined in the Trust Deed), the terms of which reconstruction, amalgamation or substitution have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as described in the Trust Deed)), there shall be payable by the Issuer in respect of each TON (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to a TON Holder if, on the day prior to the commencement of the winding-up and thereafter, such TON 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 to and so ranking *pari passu* with the holders of the RCIs 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 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 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 TON Holder was entitled to receive in respect of such preference share, on a return of assets in such winding-up, was an amount equal to the principal amount of the relevant TON (and, in any such case, no amounts will be payable in respect of any Coupon, including for the avoidance of doubt, any Deferred Coupon Payments).

### 4. Coupon Deferral

The Issuer must make each Coupon Payment on the relevant Coupon Payment Date subject to and in accordance with these Terms and Conditions. However, if on the 20th business day preceding the date on which any Coupon Payment would, in the absence of deferral in accordance with this Condition 4, be due and payable, the Deferral Condition is satisfied, any such Coupon Payment may be deferred by the Issuer giving notice to the Trustee, the TON Holders, the Principal Paying Agent and the Calculation Agent not less than 16 business days prior to such date. The Issuer shall satisfy any such Deferred Coupon Payment on any redemption of the TONS.

If the Issuer has given such notice then (i) from the date of such notice until the Issuer next makes a Coupon Payment, 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 another wholly-owned Subsidiary) on any of their respective ordinary shares or preference shares, or satisfy any payments of interest in respect of 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 ranking, as to the right of repayment of principal, *pari passu* with or junior to the TONs (other than shares or other securities held by the Holding Company or a wholly-owned Subsidiary) and (ii) any such Deferred Coupon Payment shall be satisfied only in accordance with Condition 6. For the avoidance of doubt, no amount will be payable by way of interest on any such Deferred Coupon Payment, save as provided in Condition 6(e).

### 5. Coupon Payments

#### (a) Coupon Payment Dates

The TONs bear interest at the Coupon Rate from (and including) the Issue Date and such interest will (subject to Conditions 2(b)(i), 4, 6(d), 6(e) and 8(d)) be payable on each Coupon Payment Date. Each TON 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 judgement) 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 6 per cent. per annum.
- (ii) The Coupon Rate in respect of each Reset Period shall be the aggregate of 0.89 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 six-month pounds sterling deposits 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 Moneyline 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;
  - (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 leading banks in the London interbank market for six-month pounds sterling deposits 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 offices 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 London 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 six months,

except that, if the banks so selected by the Principal Paying Agent 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, 7 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 Authorised Denomination 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 Calculation Agent and the London Stock Exchange and to be notified to the TON 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 shall be calculated by multiplying the product of the Coupon Rate and the principal amount of one TON of the relevant Authorised Denomination by the Day Count Fraction and rounding the resultant 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 such agent shall apply the

foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it or such 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, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, the Paying Agents and all TON Holders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the TON 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*

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 (each acting through its principal London office) to act as Reference Banks and will procure that, so long as any TON 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*

Coupon Payments must be satisfied in accordance with Condition 8(a), provided that if:

- (i) under Condition 4 the Deferral Condition is satisfied and the relevant Coupon Payment is deferred, each such Deferred Coupon Payment will be satisfied on any redemption through the issue of Issuer Shares to the Trustee in accordance with this Condition 6; or
- (ii) the Issuer does not exercise its right to redeem the TONs in accordance with Condition 7(b) on the First Reset Date, then, subject to any deferral pursuant to Condition 4, each Coupon Payment after the First Reset Date will be satisfied by the issue of Issuer Shares to the Trustee in accordance with this Condition 6.

(b) *Issue of shares*

If any Payment is to be satisfied 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 Redemption Date, in the case of Deferred Coupon Payments, or the relevant Coupon Payment Date, in the case of Payments after the First Reset 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 to be satisfied in accordance with this Condition 6;
- (ii) the Trustee has agreed to transfer or instruct its agent to transfer the Payment Issuer Shares to the Holding Company in consideration for which the Holding Company has agreed to 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; and
- (iii) the Trustee has agreed to use reasonable endeavours to effect 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 has agreed to use reasonable endeavours to procure purchasers for such Payment Ordinary Shares. The Calculation Agent has further agreed to exchange, as agent of the Trustee, the proceeds of such sale (where necessary) into pounds sterling at prevailing market exchange rates and deliver such exchanged proceeds to, or hold such exchanged proceeds to the order of, the Trustee, who shall pay or procure that its agent pays such proceeds as it holds in respect of the relevant Payment on its due date.

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 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 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 is required to make a Payment hereunder by issuing Issuer Shares to the Trustee and issues such shares in accordance with this Condition 6, such issue shall release and discharge the Issuer 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 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 TON Holders in respect of the relevant payment.

(d) *Insufficiency*

If the Issuer is to satisfy 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 a 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 TON 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 passage of such resolution, the Issuer shall notify the Trustee, the Principal Paying Agent, the Calculation Agent and the TON 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. 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 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 second rejection, or a dividend paid by the Issuer to the Holding Company or to another wholly-owned Subsidiary) on any of their respective ordinary shares or preference shares or satisfy any payments of interest in respect of 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 ranking, as to the right of repayment of principal, *pari passu* with or junior to the TONs (other than shares or other securities held by the Holding Company or a wholly-owned Subsidiary).

For the avoidance of doubt, no TON 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 TON 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 TON 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 Redemption Date, in the case of Deferred Coupon Payments, or the date on which the relevant Payment was due to be made, in the case of Payments due after the First Reset Date, 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 agents 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. Exchange, Variation, Redemption and Purchase

(a) *No Fixed Redemption Date*

The TONs 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 circumstances provided for in Condition 8(d).

Any redemption or purchase of the TONs is subject to the prior consent of the Financial Services Authority.

(b) *Issuer's Call Option*

Provided the Auditors of the Issuer 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 TON Holders in accordance with Condition 16 and to the Principal Paying Agent, the Trustee and the Calculation Agent, which notice shall be irrevocable, elect to redeem all, but not some only, of the TONs on any Reset Date at their principal amount together with any Outstanding Payments.

(c) *Exchange, Variation or 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 TONs falling due on or prior to the First Reset Date, 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, 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 TONs, which change or amendment becomes effective or is to take effect, on or after 2nd July, 2002, 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 falling due on or prior to the First Reset Date, including, for the avoidance of doubt, the issue of Issuer Shares pursuant to Condition 6 in respect of the TONs or, as a result of the TONs 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:

- (aa) in any case where paragraph (i) above applies, 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, the Calculation Agent and, in accordance with Condition 16, the TON Holders (which notice shall be irrevocable) redeem in accordance with these Terms and Conditions, all, but not some only, of the TONs at their principal amount together with any Outstanding Payments on any Coupon Payment Date; or
- (bb) in any case where either of paragraphs (ii) or (iii) above applies, the Issuer may (subject to the prior consent of the Financial Services Authority but without any requirement for the consent or approval of the TON Holders or, save as specified below, the Trustee) having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Calculation Agent and, in accordance with Condition 16, the TON Holders (which notice shall be irrevocable) exchange the TONs for, or vary the terms of the TONs so that they become, Upper Tier 2 Securities on terms which preserve any existing rights under these Terms and Conditions to Outstanding Payments. If any of the conditions listed in paragraphs (ii) or (iii)

above apply or continue to apply to Upper Tier 2 Securities for or into which the TONs have been exchanged or varied, or if the Issuer shows to the satisfaction of the Trustee that any of these conditions would apply if such exchange or variation were to take place, or if the consent of the Financial Services Authority is not given, 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, the Calculation Agent and, in accordance with Condition 16, the TON Holders (which notice shall be irrevocable) redeem in accordance with these Terms and Conditions, all, but not some only, of the TONs or any such Upper Tier 2 Securities for or into which they have been exchanged or varied at their principal amount together with any Outstanding Payments on any Coupon Payment Date. The Trustee shall use its reasonable endeavours to assist the Issuer in the exchange or variation of the TONs for or into Upper Tier 2 Securities provided that the Trustee shall not be obliged to participate or assist in any such exchange or variation if, in its opinion, the terms of the securities into which the TONs are to be exchanged or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the TONs as provided above.

Prior to the publication of any notice of exchange, variation or 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 or (in the case of paragraphs (ii) and (iii) above only) would be satisfied were such exchange or variation to take place 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 TON Holders. Upon expiry of such notice the Issuer shall either redeem, vary or exchange the TONs, as the case may be.

(d) *Exchange, Variation or Redemption for Regulatory Purposes*

If the Issuer satisfies the Trustee immediately prior to the giving of the notice referred to below that the Financial Services Authority has determined that the TONs no longer qualify as Tier 1 Capital then the Issuer may, subject to the prior consent of the Financial Services Authority but without any requirement for the consent or approval of the TON Holders or, save as specified below, the Trustee, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent, the Calculation Agent and, in accordance with Condition 16, the TON Holders (which notice shall be irrevocable) exchange the TONs for or vary the terms of the TONs so that they become Upper Tier 2 Securities on terms which preserve any existing rights under these Terms and Conditions to Outstanding Payments. If the consent of the Financial Services Authority is not given or the TONs, as so exchanged for or varied into Upper Tier 2 Securities, do not (or would not, if so exchanged or varied) qualify as Upper Tier 2 Capital, 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, the Calculation Agent and, in accordance with Condition 16, the TON Holders (which notice shall be irrevocable) redeem, in accordance with these Terms and Conditions, all, but not some only, of the TONs at their principal amount together with any Outstanding Payments on any Coupon Payment Date. The Trustee shall use its reasonable endeavours to assist the Issuer in the exchange or variation of the TONs for or into Upper Tier 2 Securities, provided that the Trustee shall not be obliged to participate or assist in any such exchange or variation if, in its opinion, the terms of the securities into which the TONs are to be exchanged or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the TONs as provided above. Upon the expiry of such notice the Issuer shall either redeem, vary or exchange the TONs, as the case may be.

(e) *Purchases*

The Issuer or any other Subsidiary may (subject to the prior consent of the Financial Services Authority and provided the Auditors have reported to the Trustee within the previous six months that the Solvency Condition is met) at any time purchase TONs 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 TONs so redeemed or purchased by the Issuer, save for any such TONs purchased by the Issuer in the ordinary course of a business of dealing in securities, will be cancelled and may not be re-issued or resold.

**8. Payments**

(a) *Method of Payment*

- (i) Payments of principal and Coupon Amounts in respect of the TONs will be made by or on behalf of the Issuer against presentation and surrender of TONs or the appropriate Coupons (as the case may be) at the specified office of any of the Paying Agents (subject to sub-paragraph (iv) below). Such payments will be made, at the option of the payee by a 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 TON, any unexchanged Talon relating to such TON (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon and unmatured Coupons relating to such TON (whether or not attached) shall also become void and no payment shall be made in respect of them. If any TON 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 TON, 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 names of the initial Paying Agents and their initial specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee, such approval not to be unreasonably withheld, 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) a Paying Agent having a specified office outside the United Kingdom and (bb) for so long as the TONs are listed on 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, a Paying Agent having a specified office in London and (cc) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive. Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the TON 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 TON Holders in respect of such payments.

(c) *Payments on Payment Business Days*

A TON 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 TON 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 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 and the TON 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 TONs 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 TON Holders, of a holding of the TONs 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 TON 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 and each TON shall be redeemed by the Issuer, following notice to the TON 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 TON 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 TON 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 which, when sold, provide a net cash amount (converted into sterling if necessary) of not less than the redemption amount so payable by the Issuer).

9. **Pre-emption**

The Issuer shall, from time to time, keep available for issue such number of Issuer Shares as it reasonably considers would be required to be issued in order to satisfy the aggregate amount of Deferred Coupon Payments (if any) and, after the First Reset Date, the next two Coupon Payments.

The Holding Company shall, from time to time, 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 respect of Deferred Coupon Payments (if any) and, after the First Reset Date, the next two 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 TONs 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 is limited to circumstances where payment has become due. Pursuant to Condition 2(b), no principal or Payment will be due if the Solvency Condition is not satisfied, or if the Issuer would not otherwise be solvent. Also, in the case of any Coupon Payment, such Payment will not be due if the Issuer has elected to defer that Coupon Payment pursuant to Condition 4 or if the circumstances referred to in any of Conditions 6(d), 6(e) or 8(d) then apply. 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 TONs (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 Coupon 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 TONs 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 TONs or the Coupons (other than for the payment of any principal or satisfaction of any Payments in respect of the TONs 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 TONs or the Coupons unless (i) it shall have been so requested by an Extraordinary Resolution of the TON Holders or in writing by the holders of at least one-fifth in principal amount of the TONs then outstanding and (ii) it shall have been indemnified to its satisfaction.
- (d) No TON 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 unless the Trustee, having become so bound to proceed or being able to prove in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the TON 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 TON Holder or Couponholder (i) for the recovery of amounts owing in respect of the TONs 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 and/or proving in such winding-up and (ii) for the breach of any other term under the Trust Deed, the TONs or the Coupons, other than as provided in paragraph (b) above.

## 11. Taxation

All payments by the Issuer of principal, Coupon Payments, Deferred Coupon Payments and Solvency Claims in respect of the TONs 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 TON 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 TONs 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 TON 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 TON or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such TON 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 required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 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 TON or a Coupon who would have been able to avoid such withholding or deduction by presenting the relevant TON 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 and/or Deferred Coupon 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

TONs 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 TONs 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 TON Holders, Modification, Waiver and Substitution

The Trust Deed contains provisions for convening meetings of TON 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 TONs for the time being outstanding, or at any adjourned such meeting one or more persons being or representing TON Holders whatever the principal amount of the TONs 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 or Coupon Payments in respect of the TONs and reducing or cancelling the principal amount of any TON or the Coupon Rate in respect of such TON) 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 TONs for the time being outstanding.

An Extraordinary Resolution passed at any meeting of TON Holders will be binding on all TON 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 TON 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 TON Holders or to any modification which is 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 TON 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 TONs 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 TON Holders as a class and the Trustee shall not have regard to the consequences of such substitution for individual TON 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 TON 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 TON 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 TON Holders and all Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the TON Holders in accordance with Condition 16 as soon as practicable thereafter.

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

Should any TON, 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 TONs, Coupons or Talons must be surrendered before any replacement TONs, 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 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 from the Auditors whether or not addressed to the Trustee and whether or not any such report or certificate or any engagement letter or other document entered into by the Trustee and the Auditors in connection therewith contains any limitation of the liability of the Auditors and whether by reference to a monetary cap or otherwise.

## 16. Notices

Notices to TON Holders will be valid if published in a leading newspaper having general circulation in London (expected to be the Financial Times). 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 TON Holders in accordance with this Condition.

## 17. Further Issues

The Issuer shall be at liberty from time to time without the consent of the TON Holders or the Couponholders to create and issue further TONs 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 TONs) and so that the same shall be consolidated and form a single series with the outstanding TONs. Any such TONs shall be constituted by a deed supplemental to the Trust Deed.

## 18. Calculation Agent

The Issuer will procure that there shall at all times be a Calculation Agent so long as any TON is outstanding. 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 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. Neither the termination of the appointment of a Calculation Agent nor its resignation will be effective without a successor having been appointed.

All calculations and determinations made by the Calculation Agent in relation to the TONs shall (save in the case of manifest error) be final and binding on the Issuer, the Holding Company, the Trustee, the Paying Agents, the TON 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 TONs, 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 TONs under the Contracts (Rights of Third Parties) Act 1999.

## 21. Definitions

In these Terms and Conditions:

“**Agency Agreement**” means the agency agreement dated 4th July, 2002 between the Issuer, the Holding Company, the Trustee and the Paying Agents, relating to the TONs under which each paying agent agrees to perform the duties required of it under these Terms and Conditions;

“**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 of the Issuer or, as the case may be, a liquidator 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 of the Issuer 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 £1,000, £10,000 and £100,000;

**“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 on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;

**“Calculation Agency Agreement”** means the calculation agency agreement dated 4th July, 2002 between the Issuer, the Holding Company, the Trustee and the Calculation Agent, relating to the TONs under which the Calculation Agent agrees to perform the duties required of it under these Terms and Conditions;

**“Calculation Agent”** means Cazenove & Co. Ltd as calculation agent in relation to the TONs, or its successor for the time being appointed under the Calculation Agency Agreement;

**“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 a TON 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 relating to a TON of each Authorised Denomination for the relevant Coupon Period in accordance with Condition 5;

**“Coupon Determination Date”** means, in respect of each Reset Period, the second business day prior to the commencement of such Reset Period;

**“Coupon Payment”** means, with respect to a Coupon Payment Date, the aggregate Coupon Amounts for the Coupon Period ending on such Coupon Payment Date;

**“Coupon Payment Date”** means (i) in respect of the period from the Issue Date to (and including) the First Reset Date, 15th June and 15th December in each year, starting 15th December, 2002 and (ii) after the First Reset Date, 15th June and 15th December in each year, starting 15th December, 2032, 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;

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

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

**“Day Count Fraction”** means:

- (a) in respect of each Coupon Period from the Issue Date to the First Reset Date:
- (i) if the Coupon Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Coupon Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
  - (ii) if the Coupon Period is longer than one Determination Period, the sum of:
    - (x) the number of days in such Coupon Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
    - (y) the number of days in such Coupon Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year;
- (b) in respect of each Coupon Period from and after the First Reset Date, the actual number of days in the Coupon Period in respect of which payment is being made divided by 365 or (in the case of a Coupon Period ending in a leap year) by 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;

**“Deferred Coupon Payment”** means any Payment, or part thereof, which, pursuant to Condition 4, the Issuer has deferred and which has not been satisfied;

the **“Deferral Condition”** will be satisfied if, in the determination of the Issuer, after consultation with the Holding Company, on the relevant date, the Issuer is, or payment of the relevant Payment will result in the Issuer being, in non-compliance with the applicable Capital Regulations;

**“Determination Period”** means the period from and including 15th June in any year to but excluding the next 15th December, or as the case may be, from and including 15th December in any year to but excluding the next 15th June;

**“First Reset Date”** means 15th June, 2032;

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

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

**“Issue Date”** means 4th July, 2002, being the date of initial issue of the TONs;

**“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, 7.875% Undated Subordinated Notes, 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 2nd July, 1985 made between the Issuer and Phoenix Assurance Public Limited Company, as trustee, and any trust deed supplemental thereto, any securities issued pursuant to the indenture dated as of 15th April, 1993 made between the Issuer and The Bank of New York, as trustee, 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 of the Issuer or, as the case may be, a liquidator of the Issuer may determine to be appropriate;

**“London Stock Exchange”** means London Stock Exchange plc;

**“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 the London Stock Exchange or otherwise) or on settlement procedures for transactions in the Ordinary Shares on the London Stock Exchange 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 25 pence each;

**“Outstanding”**, in relation to any Coupon Payment or Deferred Coupon 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 Conditions 4, 6(d), 6(e) or 8(d); and (b) in any such case has not been satisfied;

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

**“Payment”** means any Coupon Payment or Deferred Coupon Payment;

**“Payment Business Day”** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London and in the place of the specified office of the relevant Paying Agent to whom the TON or Coupon 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 Agency Agreement;

**“RCI”** means each of the Issuer’s outstanding 7.50% Step-up Callable Perpetual Reserve Capital Instruments issued on 3rd May, 2000, 8.55% Step-up Callable Perpetual Reserve Capital Instruments issued on 19th September, 2000 and 7.375% Step-up Callable Perpetual Reserve Capital Instruments issued on 5th June, 2001 and any other obligations of the Issuer which rank or are expressed to rank *pari passu* with the aforesaid obligations (other than the TONs);

**“Redemption Date”** means such date of redemption of the TONs pursuant to Conditions 7(b), 7(c), 7(d) or 8(d);

**“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 2032, or if such bond is no longer in issue, such other United Kingdom government bond as the Calculation Agent may, with the advice of the Reference Dealers, determine to be appropriate for determining the Suspension Redemption Price;

**“Reference Dealers”** means three brokers of gilts and/or gilt-edged market makers selected by the Calculation Agent in consultation with the Issuer and approved in writing by the Trustee, or such other three persons operating in the gilt-edged market as are selected by the Calculation Agent in consultation with the Issuer and approved in writing by the Trustee;

**“Relevant Date”** means (i) in respect of any payment other than a Solvency Claim in a winding-up of the Issuer, the date on which such payment first becomes due and payable but, if the full amount of the moneys 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 moneys shall have been so received and notice to that effect shall have been given to the TON Holders in accordance with Condition 16, and (ii) in respect of a Solvency Claim in a winding-up of the Issuer, the date which is one day prior to the commencement of the winding-up;

**“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 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 TON 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 satisfied 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 TON, the higher of (a) the Authorised Denomination of such TON and (b) the price, expressed as a percentage (rounded to four decimal places, 0.00005 being rounded upwards), at which the gross redemption yield (as calculated by the Calculation Agent on the basis set out by the United Kingdom Debt Management Office in the paper “Formulae for Calculating Gilt Prices from Yields”, page 4, Section One: Price/Yield Formulae: Conventional Gilts; Double Dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date published on 8th June, 1998 (as amended or updated from time to time)) on the TONs would, if they were to be purchased at such price on the third dealing day prior to the date fixed for redemption, 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;

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

**“TONs”** means the £400,000,000 6 per cent. Callable Perpetual Core Tier One Notes of the Issuer, and such expression shall include, unless the context otherwise requires, any further notes issued pursuant to Condition 17 and forming a single series with the TONs;

**“Trust Deed”** means the trust deed dated 4th July, 2002 between the Issuer, the Holding Company and the Trustee, relating to the TONs;

“**Trustee**” means The Bank of New York as trustee for the TON Holders and includes its successor(s);

“**Ultimate Owner**” means, at any given time, the ultimate holding company of the Barclays group of companies;

“**Upper Tier 2 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;

“**Upper Tier 2 Securities**” means securities of the Issuer that have substantially similar terms as the TONs save that (1) they shall contain terms no less favourable to an investor than the then current minimum requirements of the Financial Services Authority in relation to Upper Tier 2 Capital and (2) the Coupon Rate of such securities shall be determined in such manner as shall result in it being 0.25 per cent. per annum below the Coupon Rate from time to time applying to the TONs, provided that the Coupon Rate of such securities shall be the subject of a step-up, which shall apply on 15th June, 2032 and thereafter, of the then maximum percentage permitted by applicable Financial Services Authority guidelines relating to Upper Tier 2 Capital.

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## USE OF PROCEEDS

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The net proceeds of the issue of the TONs are estimated to amount to £395,344,000 and will be used for the development and expansion of the business of the Issuer and its subsidiaries (the “**Group**”) and further to strengthen the capital base of the Issuer.

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

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### EXCHANGE

The TONs will be represented initially by a Temporary Global TON in bearer form without Coupons or Talons which will be deposited outside the United States with a common depositary for Clearstream, Luxembourg and Euroclear on or about 4th July, 2002. The Temporary Global TON will be exchangeable for interests in a Permanent Global TON in bearer form without Coupons or Talons on or after a date which is expected to be 13th August, 2002 (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 TON. Upon deposit of the Temporary Global TON or the Permanent Global TON (each a “**Global TON**”) with a common depositary for Clearstream, Luxembourg and Euroclear, Clearstream, Luxembourg and Euroclear will credit each subscriber with a principal amount of TONs equal to the principal amount thereof for which it has subscribed and paid.

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

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

For so long as any of the TONs are represented by a Global TON, each person who is for the time being shown in the records of Clearstream, Luxembourg and/or Euroclear as the holder of a particular principal amount of such TONs (in which regard any certificate or other document issued by Clearstream, Luxembourg and/or Euroclear as to the principal amount of such TONs 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 TONs for all purposes other than with respect to the payment of principal and interest on such principal amount of such TONs, the right to which shall be vested, as against the Issuer, the Trustee and the Paying Agents, solely in the bearer of the Global TON (in accordance with and subject to its terms and the Trust Deed) and the expressions “**TON Holder**”, “**holder of TONs**” and related expressions shall be construed accordingly. Interests in TONs which are represented by a Global TON 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 TONs occurs prior to the Exchange Date, the relevant payment will be made on the Temporary Global TON 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 TON 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 a Permanent Global TON will be made through Clearstream, Luxembourg or Euroclear without any requirement for certification.

The holder of the Temporary Global TON shall not (unless, upon due presentation of such Temporary Global TON for exchange (in whole or in part) for interests in the Permanent Global TON, 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 TONs represented by such Temporary Global TON which falls due on or after the Exchange Date.

Interests in the Permanent Global TON will be exchangeable by the Issuer (free of charge) in whole (but not in part only) for definitive bearer TONs (a) if Clearstream, Luxembourg or Euroclear is closed for business for a continuous period of 14 days (other than by reason of public holidays) or announces an intention to cease business permanently 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 TONs, the Issuer or any of the Paying Agents would be required to make any deduction or withholding from any payment in respect of such TONs which would not be required were such TONs in definitive form.

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

On or after the Permanent Global Exchange Date the holder of the Permanent Global TON shall surrender the Permanent Global TON to or to the order of the Principal Paying Agent. In exchange for the Permanent Global TON the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive relevant TONs (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global TON), 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 TON, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive TONs.

**“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 in the city in which the relevant clearing system is located.

The cost of printing definitive TONs will be borne by the Issuer.

## **PAYMENTS**

Principal and interest (if any) payable with respect to a Temporary Global TON or a Permanent Global TON will be paid to Clearstream, Luxembourg and/or Euroclear with respect to that portion of such Global TON which is held for its account (subject, in the case of a Temporary Global TON, to the certifications referred to therein). Each of Clearstream, Luxembourg and/or Euroclear will in such circumstances credit the principal or, as the case may be, interest in respect of such Global TON to the persons credited in its records with interests in such Global TON.

## **NOTICES**

So long as the TONs are represented in their entirety by one or more Global TONs and such Global TON(s) is/are held on behalf of Clearstream, Luxembourg and/or Euroclear, notices to the TON Holders may be given by delivery of the relevant notice to Clearstream, Luxembourg and/or Euroclear, as appropriate, for communication by it/them to the TON Holders in substitution for publication as required by the Terms and Conditions of the TONs, subject to any applicable regulatory and stock exchange requirements. Any such notice shall be deemed to have been given to the TON Holders on the seventh day after that on which the notice is given to Clearstream, Luxembourg and/or Euroclear.

## **MEETINGS**

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

## **PURCHASE AND CANCELLATION**

Cancellation of any TON represented by the Global TON which is required by the Terms and Conditions of the TONs to be cancelled will be effected by reduction in the principal amount of the Global TON.

## **TRUSTEE'S POWERS**

In considering the interests of TON Holders in circumstances where the Global TON is held on behalf of any one or more of Euroclear and/or Clearstream, Luxembourg, 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 Global TON and may consider such interests on the basis that such accountholders were the holder of the Global TON.

## THE ISSUER AND THE GROUP

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### BUSINESS

The Issuer and its subsidiary undertakings (taken together, the “Group”) is an international financial services group engaged primarily in banking, investment banking and asset management. In terms of assets employed, it is one of the largest financial services groups in the United Kingdom. The Group also operates in many other countries around the world and is a leading provider of co-ordinated global services to multinational corporations and financial institutions in the world’s main financial centres. At 31st December, 2001, the total consolidated assets of the Group were £356,649 million, based on the audited balance sheet at that date. The whole of the issued ordinary share capital of the Issuer is owned by Barclays PLC which is the ultimate holding company of the Group.

The profit before taxation of the Group in respect of the year ended 31st December, 2001 was £3,606 million after charging net provisions for bad and doubtful debts of £1,149 million. In 2000, the Group made a profit before taxation of £3,496 million after charging net provisions for bad and doubtful debts of £817 million.

### RECENT DEVELOPMENTS

The United Kingdom Competition Commission has conducted an enquiry into the supply of banking services by clearing banks to small and medium sized enterprises (“SMEs”) and made its report to the United Kingdom Government in October 2001.

The Government published the Commission’s report on 14th March, 2002 and accepted its conclusions and recommendations, which include measures relating to various aspects of services supplied to SMEs, including price. Undertakings to implement these recommendations will now be sought by the United Kingdom Director General of Fair Trading.

The statement below was made in an announcement issued by Barclays PLC on 28th May, 2002 before meeting analysts ahead of its close period for the half year ended 30th June, 2002. Key trends in the statement relate to the first quarter of 2002 and, unless stated otherwise, are compared to the first quarter of 2001:

“Barclays PLC has made a solid start to 2002. Operating profit rose against the prior year period, driven by growth in operating income in the first quarter of 2002 which was higher than the quarterly average of 2001. Operating costs grew moderately relative to the first quarter of 2001, but were flat versus average quarterly costs in the second half of 2001. Provisions increased reflecting the generally more difficult business environment but were in line with the quarterly average of the second half of 2001.”

## CAPITALISATION AND INDEBTEDNESS

The following table sets out the authorised and issued share capital of the Issuer and the Group shareholders' funds and indebtedness and contingent liabilities as at 31st December, 2001:

	<i>As of 31st December, 2001 million</i>
<b>Share capital of the Issuer</b>	
Authorised ordinary share capital — shares of £1 each	3,000
Authorised preference share capital — shares of U.S.\$0.01 each <sup>1</sup>	150
Ordinary shares — issued and fully paid — 2,286 million shares	<u>2,286</u>
Preference shares — issued and fully paid <sup>1</sup>	<u>0</u>
	<i>£ million</i>
<b>Group shareholders' funds</b>	
<i>Equity</i>	
Issued and fully paid ordinary share capital	2,286
Share premium	5,475
Revaluation reserve	30
Profit and loss account	6,717
<i>Non-equity</i>	
Other shareholders' funds <sup>2</sup>	<u>1,872</u>
<b>Total shareholders' funds</b>	<u><u>16,380</u></u>
<b>Group indebtedness</b>	
<i>Loan capital</i>	
Undated loan capital — convertible to preference shares <sup>3</sup>	345
Undated loan capital — non-convertible <sup>3</sup>	2,837
Dated loan capital — non-convertible <sup>4</sup>	4,933
	<u>8,115</u>
<i>Debt securities in issue<sup>5</sup></i>	
Bonds and medium term notes	5,877
Other securities in issue	<u>35,969</u>
	<u>41,846</u>
<b>Total indebtedness</b>	<u><u>49,961</u></u>
<b>Total capitalisation and indebtedness</b>	<u><u>66,341</u></u>
<b>Contingent liabilities</b>	
Acceptances and endorsements	2,460
Guarantees and assets pledged as collateral security	14,826
Other contingent liabilities	<u>7,313</u>
	<u><u>24,599</u></u>

1 At 31st December, 2001, the Issuer had U.S.\$1,500,000 of authorised preference share capital comprising 150 million preference shares of U.S.\$0.01 each. There were no preference shares in issue at 31st December, 2001, the Series D1 and D2 Non-cumulative Dollar-denominated Preference Shares having been redeemed on 29th March, 2001. See note (p) on page 33 for information on the Series E Non-cumulative Dollar-Denominated Preference Shares of the Issuer.

2 Other shareholders' funds consist of Reserve Capital Instruments ("RCIs"), comprising €850 million 7.5% step-up callable perpetual Reserve Capital Instruments issued on 3rd May, 2000, U.S.\$1,250 million 8.55% step-up callable perpetual Reserve Capital Instruments issued on 19th September, 2000 and U.S.\$750 million 7.375% step-up callable perpetual Reserve Capital Instruments issued on 5th June, 2001. Following the issue of UITF abstract 33 "Obligations in capital instruments" by the Accounting Standards Board on 14th February, 2002 ("UITF abstract 33"), RCIs are now treated as forming part of "Undated loan capital" of the Issuer rather than as "Other shareholders' funds". In accordance with UITF abstract 33, "Undated loan capital — non-convertible" would be increased and "Other shareholders' funds" reduced, each by £1,872 million. The RCIs are unguaranteed and unsecured.

3 See pages 32 to 34.

4 See pages 32 to 34.

5 £188 million is guaranteed but not secured, £607 million is secured but not guaranteed and the remainder is unguaranteed and unsecured.

## Undated loan capital at 31st December, 2001 (Notes a and b)

£ million

### The Issuer:

Junior Undated Floating Rate Notes (U.S.\$121m) (Notes c and g)	83
Undated Floating Rate Primary Capital Notes Series 1 (U.S.\$358m) (Notes d and g)	247
Undated Floating Rate Primary Capital Notes Series 2 (U.S.\$442m) (Notes d and g)	304
Undated Floating Rate Primary Capital Notes Series 3 (Notes d and g)	145
8% Convertible Capital Notes, Series E (U.S.\$500m) (Notes d and p)	345
9.875% Undated Subordinated Notes (Notes d and q)	300
9% Permanent Interest Bearing Capital Bonds (Note d)	100
7.875% Undated Subordinated Notes (Notes d and r)	100
7.125% Undated Subordinated Notes (Notes d and s)	525
6.875% Undated Subordinated Notes (Notes d and t)	650
6.5% Undated Subordinated Notes (FRF 1bn) (Notes d and h)	93
5.03% Reverse Dual Currency Undated Subordinated Notes (¥8bn) (Notes d and i)	42
5% Reverse Dual Currency Undated Subordinated Notes (¥12bn) (Notes d and i)	63

### Woolwich plc:

9.25% Perpetual Subordinated Bonds (Notes e and u)	185
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3,182

## Dated loan capital at 31st December, 2001 (Notes a, b and f)

£ million

### The Issuer:

5.5% Subordinated Notes 2002 (€200m) (Note o)	119
Floating Rate Subordinated Notes 2002 (€115m) (Notes g and o)	73
Floating Rate Subordinated Notes 2003 (€55m) (Note g)	34
Subordinated Floating Rate Notes 2003 (€200m) (Notes g and o)	125
Subordinated Floating Rate Notes 2003 (¥8bn) (Note g)	42
Floating Rate Unsecured Capital Loan Stock 2006 (Note g)	4
16% Unsecured Capital Loan Stock 2002/07	100
4.875% Step-Up Callable Subordinated Notes 2008 (FRF 1bn) (Note j)	93
Floating Rate Subordinated Notes 2008 (ITL 250bn) (Note g)	79
Subordinated Floating Rate Notes 2008 (U.S.\$250m) (Notes g and o)	171
Subordinated Floating Rate Notes 2009 (U.S.\$60m) (Notes g and o)	41
Floating Rate Subordinated Step-up Callable Notes 2009 (U.S.\$550m) (Notes g and w)	379
Floating Rate Subordinated Step-up Callable Notes 2009 (U.S.\$115m) (Notes g and o)	79
7.4% Subordinated Notes 2009 (U.S.\$400m)	276
Subordinated Fixed to CMS-Linked Notes 2009 (€31m) (Note g)	19
Floating Rate Subordinated Step-up Callable Notes 2009 (€150m) (Note g)	91
Variable Floating Rate Subordinated Notes 2009 (¥5bn) (Note g)	26
12% Unsecured Capital Loan Stock 2010	25
Floating Rate Subordinated Step-up Callable Notes 2011 (U.S.\$100m) (Note g)	69
Floating Rate Subordinated Step-up Callable Notes 2011 (U.S.\$125m) (Note g)	86
Floating Rate Subordinated Notes 2011 (U.S.\$400m) (Note g)	276
5.75% Subordinated Notes 2011 (€1bn)	610
Fixed/Floating Rate Subordinated Notes 2011 (¥5bn) (Note k)	26
Floating Rate Subordinated Notes 2012 (Note g)	299
5.5% Subordinated Notes 2013 (DM 500m) (Note l)	156
Floating Rate Subordinated Notes 2019 (€50m) (Note g)	31
Subordinated Floating Rate Notes 2021 (€100m) (Note g)	61
5.75% Fixed Rate Subordinated Notes 2026	600
5.4% Reverse Dual Currency Subordinated Notes 2027 (¥15bn) (Note m)	79
6.33% Subordinated Notes 2032	50
Subordinated Floating Rate Notes 2040 (€100m) (Note g)	61

### Barclays Overseas Investment Company B.V. ("BOIC"):

Guaranteed Notes 2007 (¥15bn) (Notes n and x)	79
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### Woolwich plc:

5.25% Subordinated Notes 2011 (€250m)	140
Step up Callable Floating Rate Subordinated Bonds 2012 (Note g)	147
10.125% Subordinated Notes 2017 (Note v)	123
9.5% Subordinated Bonds 2021	264

4,933

Notes:

- (a) These figures take no account of liabilities between members of the Group. All loan capital is unsecured and, unless otherwise stated, unguaranteed. The majority of loan capital is prepayable at the option of the Issuer, BOIC or Woolwich plc, as appropriate, subject to any necessary prior approval of the Financial Services Authority.
- (b) Loan capital in foreign currencies is expressed in sterling at the exchange rates per £1 prevailing on 31st December, 2001 being: US\$1.4510; €1.6385 (the euro legacy currencies of French francs, Deutschmarks and Italian lire having been first converted to euro at the official respective legacy currency to euro exchange rate); Yen 190.6160.
- (c) These Notes (the "Junior Notes") rank behind the claims against the Issuer of depositors and other unsecured unsubordinated creditors and holders of dated loan capital.
- (d) These Notes rank behind the claims against the Issuer of the holders of the Junior Notes.
- (e) These Notes rank behind the claims against Woolwich plc of its depositors and other unsecured unsubordinated creditors and holders of its dated loan capital.
- (f) The dated loan capital of the Issuer and Woolwich plc has been issued on the basis that the claims thereunder are subordinated to the respective claims of their depositors and other unsecured unsubordinated creditors. The dated loan capital of BOIC carries the guarantee of the Issuer which is subordinated on a similar basis.
- (g) These Notes bear interest at rates fixed periodically in advance based on London or European interbank rates.
- (h) These Notes bear a fixed rate of interest until 2009. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on European interbank rates.
- (i) These Notes bear a fixed rate of interest until 2028 based on a U.S. dollar principal amount, but the coupons have been swapped, resulting in a Yen interest rate payable which is fixed periodically in advance based on London interbank rates. After that date, in the event that the Notes are not redeemed, the Notes will bear Yen interest at rates fixed periodically in advance based on London interbank rates.
- (j) These Notes bear a fixed rate of interest until 2003. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on European interbank rates.
- (k) These Notes bear a fixed rate of interest until 2006. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on London interbank rates.
- (l) These Notes bear a fixed rate of interest until 2008. After that date, in the event that the Notes are not redeemed, the Notes will bear interest at rates fixed periodically in advance based on London interbank rates.
- (m) These Notes bear a fixed rate of interest based on a U.S. dollar principal amount, but the coupons have been swapped, resulting in a Yen interest rate payable which is fixed periodically in advance based on London interbank rates.
- (n) The coupons on these Notes have been swapped until 2002, resulting in a Yen interest rate payable until then which is fixed periodically in advance based on London interbank rates.
- (o) The Issuer has swapped the proceeds of these Notes for sterling under swaps the durations of which will match the respective terms of the Notes. The payment obligations of the Issuer under these swaps are subordinated so that the claims against the Issuer in respect of the swaps rank pari passu with claims against the Issuer in respect of its dated loan capital. The sterling values of these Notes in the figures set out above take into account these subordinated swaps.
- (p) These Notes are convertible, at the option of the Issuer, into 40,000,000 Non-cumulative Dollar-denominated Preference Shares, Series E of the Issuer; at the date of this document no Series E Notes have been so converted.
- (q) These Notes are redeemable at the option of the Issuer in 2008 and on every fifth anniversary thereafter. In the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of 5 years.
- (r) These Notes are redeemable at the option of the Issuer up to and including October 2003 and on every tenth anniversary thereafter. In the event that the Notes are not redeemed by October 2003, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of 10 years.
- (s) These Notes are redeemable at the option of the Issuer in 2020 and on every fifth anniversary thereafter. In the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of 5 years.
- (t) These Notes are redeemable at the option of the Issuer in 2015 and on every fifth anniversary thereafter. In the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of 5 years.
- (u) These Bonds are redeemable at the option of Woolwich plc in 2021 and on every fifth anniversary thereafter. In the event that the Bonds are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of 5 years.
- (v) These Notes bear a fixed rate of interest until 2012. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of 5 years.
- (w) The Issuer has swapped U.S.\$200 million of the proceeds of these Notes for sterling under a swap the duration of which matches the term of the Notes. The payment obligations of the Issuer under this swap are subordinated so that the claims against the Issuer in respect of this swap rank pari passu with claims against the Issuer in respect of its dated loan capital. The sterling value of these Notes in the figures set out above takes into account this subordinated swap.
- (x) These Notes were redeemed on 19th March, 2002.

On 1st March, 2002, the Issuer issued €50 million Subordinated Floating Rate Notes 2022. On 13th March, 2002, the Issuer issued £44 million Callable Subordinated Floating Rate Notes 2012. On 14th March, 2002, the Issuer issued U.S.\$150 million Callable Subordinated Floating Rate Notes 2012. On 19th April, 2002, the Issuer issued £400 million 6.125% Undated Subordinated Notes and £400 million 6.375% Undated Subordinated Notes. On 9th May, 2002 the Issuer issued U.S.\$100,000,000 Capped Floating Rate Subordinated Notes due 2012 and U.S.\$100,000,000 Floating Rate Subordinated Notes due 2012. Each of the notes referred to in this paragraph is unguaranteed and unsecured. Save as mentioned in this paragraph and in Note (x) above, there has been no material change in the undated loan capital and dated loan capital of the Group since 31st December, 2001.

## Directors

The Directors of the Issuer, each of whose business address is 54 Lombard Street, London EC3P 3AH, their function(s) 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>
Sir Peter Middleton GCB	Chairman	Deputy Chairman, United Utilities PLC
Matthew Barrett	Group Chief Executive	—
John Stewart	Deputy Group Chief Executive	—
Christopher Lendrum	Chief Executive, Corporate Banking	—
John Varley	Group Finance Director	—
Sir Brian Jenkins GBE	Deputy Chairman, Non-Executive Director	Chairman, Charities Aid Foundation
Sir Andrew Large	Deputy Chairman, Non-Executive Director	—
David Arculus	Non-Executive Director	Chairman, Severn Trent plc
Hilary Cropper CBE	Non-Executive Director	Executive Chairman, Xansa PLC
Sir Nigel Mobbs	Non-Executive Director	Chairman, Slough Estates plc
Sir Nigel Rudd DL	Non-Executive Director	Chairman, Bovis Homes Group PLC
		Chairman, Kidde PLC, Chairman, Pilkington PLC, Chairman, Pendragon PLC
		Deputy Chairman, The Boots Company PLC
Stephen Russell	Non-Executive Director	Chief Executive, The Boots Company PLC
Graham Wallace	Non-Executive Director	Chief Executive, Cable and Wireless plc

## FINANCIAL STATEMENTS

The financial statements set out on this page and page 36 have been extracted without material adjustment from the audited consolidated accounts of the Group for the two years ended 31st December, 2001. The annual accounts of the Issuer for the last three years have been audited.

### CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	<i>Year ended</i>	
	<i>31.12.01</i>	<i>31.12.00</i>
	<i>(audited)</i>	
	<i>£m</i>	<i>£m</i>
Interest receivable:		
Interest receivable and similar income arising from debt securities	2,383	2,339
Other interest receivable and similar income	11,075	9,449
	<u>13,458</u>	<u>11,788</u>
Interest payable	(7,354)	(6,635)
Profit on repurchase of loan capital	—	2
Net interest income	6,104	5,155
Fees and commissions receivable	4,223	3,689
Less: fees and commissions payable	(465)	(320)
Dealing profits	1,011	677
Other operating income	452	397
Operating income	<u>11,325</u>	<u>9,598</u>
Administration expenses — staff costs (Note 1)	(3,716)	(3,219)
Administration expenses — other	(2,303)	(1,967)
Depreciation and amortisation	(537)	(306)
Operating expenses	<u>(6,556)</u>	<u>(5,492)</u>
<b>Operating profit before provisions</b>	<u>4,769</u>	<u>4,106</u>
Provisions for bad and doubtful debts	(1,149)	(817)
Provisions for contingent liabilities and commitments	(1)	1
Provisions	<u>(1,150)</u>	<u>(816)</u>
<b>Operating profit</b>	3,619	3,290
Loss from joint ventures	(1)	(1)
Loss from associated undertakings	(8)	(7)
(Loss)/Profit on disposal of other Group undertakings	(4)	214
<b>Profit on ordinary activities before tax</b>	3,606	3,496
Tax on profit on ordinary activities	<u>(1,010)</u>	<u>(944)</u>
<b>Profit on ordinary activities after tax (Note 2)</b>	2,596	2,552
Minority interests — equity	(31)	(22)
Payments to RCI holders (Note 2)	<u>(97)</u>	<u>(33)</u>
<b>Profit attributable to the members of Barclays Bank PLC</b>	2,468	2,497
Dividends payable to Barclays PLC	(1,317)	(1,352)
Dividends payable to preference shareholders	(5)	(24)
<b>Profit retained for the financial year</b>	<u>1,146</u>	<u>1,121</u>

## CONSOLIDATED BALANCE SHEETS

	Year ended	
	31.12.01 (audited) £m	31.12.00 £m
<b>Assets:</b>		
Cash and balances at central banks	1,281	1,243
Items in course of collection from other banks	2,444	2,509
Treasury bills and other eligible bills	7,417	5,564
Loans and advances to banks – banking	12,196	9,556
– trading	35,693	27,345
	47,889	36,901
Loans and advances to customers – banking	146,253	138,437
– trading	34,240	23,198
	180,493	161,635
Debt securities	78,924	70,770
Equity shares	3,118	4,062
Interests in joint ventures – share of gross assets	230	180
– share of gross liabilities	(174)	(118)
	56	62
Interests in associated undertakings	32	60
Intangible fixed assets	4,091	4,269
Tangible fixed assets	1,958	2,059
Other assets	18,223	15,518
Prepayments and accrued income	2,553	2,827
	348,479	307,479
Retail life-fund assets attributable to policyholders	8,170	8,711
<b>Total assets</b>	<b>356,649</b>	<b>316,190</b>
<b>Liabilities:</b>		
Deposits by banks – banking	45,837	32,445
– trading	21,543	17,311
	67,380	49,756
Customer accounts – banking	139,831	140,352
– trading	23,984	18,616
	163,815	158,968
Debt securities in issue	41,846	31,883
Items in course of collection due to other banks	1,550	1,176
Other liabilities	42,930	38,184
Accruals and deferred income	4,377	4,457
Provisions for liabilities and charges – deferred tax	630	631
Provisions for liabilities and charges – other	594	635
Balances due to Barclays PLC	728	632
<b>Subordinated liabilities:</b>		
Undated loan capital: convertible to preference shares	345	335
Undated loan capital: non-convertible (Note 2)	2,837	2,337
Dated loan capital: non-convertible	4,933	3,698
	331,965	292,692
<b>Minority interests and shareholders' funds:</b>		
Minority interests – equity	134	108
Called up share capital	2,286	2,275
Other shareholders' funds – non-equity	1,872	1,350
Reserves: equity	12,222	10,912
non-equity	—	142
Shareholders' funds – equity and non-equity (Note 2)	16,380	14,679
	16,514	14,787
	348,479	307,479
Retail life-fund liabilities to policyholders	8,170	8,711
<b>Total liabilities and shareholders' funds</b>	<b>356,649</b>	<b>316,190</b>

### Notes:

- Following the strategic alliance with Legal & General, costs relating to the regulated sales force and field sales managers have been included in staff costs and their headcount included in Group staff numbers with effect from 1st August, 2001. Prior to that date these costs were borne within long term assurance funds and their headcount excluded from Group staff numbers. Costs have increased by £31 million in 2001 as a result of this change.
- Following the issue of UITF abstract 33, RCIs are now treated as forming part of "Undated loan capital: non-convertible" of the Issuer, rather than as "Other shareholders' funds — non-equity". The coupon on the RCIs is now reported in "Interest payable" and the tax effect in "Tax on profit on ordinary activities", rather than as a net figure in "Payments to RCI holders". In accordance with UITF abstract 33, "Profit on ordinary activities after tax" for the year to 31st December, 2001 would be reduced by £97 million (2000: £33 million) and "Profit retained for the financial year" would be unchanged in both years. At 31st December, 2001, "Subordinated liabilities" would be increased and "Other shareholders' funds" reduced, each by £1,872 million (2000: £1,350 million).

## UNITED KINGDOM TAXATION

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*The following is a summary of the current United Kingdom taxation treatment of the TONs. It is not exhaustive. It relates only to the position of persons who are the absolute beneficial owners of the TONs and may not apply to certain classes of TON Holders, such as dealers in securities. TON 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.*

### WITHHOLDING TAX

1. All payments of interest on the TONs can be paid gross provided that, at the time of the payment, the TONs are listed on a recognised stock exchange, as defined in Section 841 of the Income and Corporation Taxes Act 1988 (“ICTA”) (the London Stock Exchange is so recognised). The United Kingdom Inland Revenue may obtain information about the identity of the payee or person entitled to the interest on the TONs from persons in the United Kingdom paying such interest to or receiving such interest on behalf of another person and, in certain circumstances, may exchange taxpayer information with the tax authorities of other jurisdictions.
2. The interest on the TONs will have a United Kingdom source and, accordingly, subject as set out below, may be chargeable to United Kingdom income tax by direct assessment even if paid without withholding or deduction. The profit realised on any disposal (which includes redemption) of any TON issued at an issue price of less than the amount payable on redemption is similarly chargeable but does not attract United Kingdom withholding. However, neither such profit nor interest received without deduction or withholding is chargeable to United Kingdom tax in the hands of a TON Holder who is not resident for tax purposes in the United Kingdom unless the TON Holder carries on a trade, profession or vocation in the United Kingdom through a branch or agency in the United Kingdom in connection with which the interest or profit is received or to which the TONs are attributable. There are certain exceptions for income received by specified categories of agent (such as some brokers and investment managers).
3. If interest on the TONs were to be paid under deduction of United Kingdom income tax (which would be the case (subject to any applicable exemptions or reliefs which might be obtained pursuant to an applicable double taxation treaty) if the Notes were to cease to be listed on a recognised stock exchange), TON 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 an applicable double taxation treaty.
4. The provisions relating to additional payments referred to in Condition 11 of the “Terms and Conditions of the TONs” would not apply if the Inland Revenue sought to assess the person entitled to the relevant interest or (where applicable) profit on any TON directly to United Kingdom income tax. However, exemption from or reduction of such United Kingdom tax liability might be available under an applicable double taxation treaty.

### PAYMENT OF INTEREST IN SHARES

5. In certain cases the Issuer may issue ordinary shares to discharge its obligations to make an interest payment on the TONs (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 TONs”). Such shares will be issued to the Trustee or its agent and will be mandatorily exchanged for shares in the Holding Company that have a market value equal to the interest payment(s) in question and will then be sold by the Trustee or its agent in the market. Subject to receipt of the sales proceeds, the Trustee or its agent will then make a cash payment to TON Holders which will be equal to the interest payment(s) in question.

It is intended that the shares issued by the Issuer will have a market value equal to the outstanding interest payment(s). Provided that this is the case, a TON Holder should not realise a capital gain as a result of either the mandatory exchange or the subsequent sale of the Holding Company shares. For TON Holders not within the charge to United Kingdom corporation tax in respect of the TONs, the issue

of shares will be treated as a payment of the interest payment(s) in question. The shares of both the Issuer and the Holding Company are denominated in sterling and the sterling sales proceeds of the Holding Company shares will (together with any cash payment paid by the Issuer to a TON Holder to make up any shortfall as mentioned in Condition 6(b) of the “Terms and Conditions of the TONs”) generally be the amount on which investors who are within the charge to United Kingdom income tax (and are not within the charge to corporation tax) will be liable to income tax in respect of the coupon payment in question.

#### **HOLDERS WITHIN THE CHARGE TO UNITED KINGDOM CORPORATION TAX**

6. For TON Holders within the charge to United Kingdom corporation tax, the TONs will normally constitute “qualifying corporate bonds” within section 117 of the Taxation of Chargeable Gains Act 1992. Such corporate TON Holders will normally recognise any gain or loss for corporation tax purposes under the “loan relationship” rules in the Finance Act 1996. Under these rules, all interest, profits, gains and losses, measured and recognised in accordance with an authorised accruals or mark to market basis of accounting method, are taxed or relieved as income.

#### **HOLDERS NOT WITHIN THE CHARGE TO UNITED KINGDOM CORPORATION TAX**

7. Until the First Reset Date on 15th June, 2032 (or, if the Issuer does not elect to redeem the TONs on the First Reset Date pursuant to Condition 7(b) of the “Terms and Conditions of the TONs”, 16th May, 2032) the TONS should be “qualifying corporate bonds”. Accordingly a disposal or redemption before that date of TONs by a TON Holder who is not within the charge to United Kingdom corporation tax and who is a United Kingdom taxpayer will not give rise to a chargeable gain or an allowable loss for United Kingdom capital gains tax purposes. The tax position of TONs if they are not redeemed on the First Reset Date is uncertain. As from the First Reset Date interest payable on the TONs can only be satisfied by the issue of shares under the alternative coupon satisfaction mechanism, it is possible that if the Issuer does not elect to redeem the TONs as aforesaid they will, from the said 15th June, 2032, be considered to carry an entitlement to acquire shares and thus would cease to be qualifying corporate bonds from that date in which case a disposal or redemption of TONs on or after such date might give rise to a chargeable gain or allowable loss for United Kingdom capital gains tax purposes.
8. A transfer of TONs by a non-corporate TON Holder who is resident or ordinarily resident in the United Kingdom or who carries on a trade in the United Kingdom through a branch or agency to which the TONs are attributable may give rise to a charge to United Kingdom income tax in respect of an amount representing interest on the TONs which has accrued since the preceding Interest Payment Date under the provisions of the “accrued income scheme” (the “Scheme”). The TONs will be variable rate securities within the meaning of section 717 of ICTA. Accordingly, on a transfer of a TON, an amount of interest which is just and reasonable will be treated as accrued income under the Scheme. However, the transferee will not be entitled to any relief for that amount under the Scheme.

#### **EUROPEAN UNION DIRECTIVE ON THE TAXATION OF SAVINGS INCOME**

On 18th July, 2001, the European Commission published a new proposal for a directive regarding the taxation of savings income. This new proposal reflects the ECOFIN Agreement of 26th-27th November, 2000 and replaces the previous proposal regarding this matter adopted in 1998. Subject to a number of important conditions being met, it is proposed that each member state will be required to provide details of payments of interest and other similar income paid by a person within its jurisdiction to an individual resident in another member state to the tax authorities of that state. This is subject to the right of Austria, Belgium and Luxembourg to opt instead for a withholding system for a transitional period of 7 years in relation to such payments. On 13th December, 2001, ECOFIN agreed to a provisional text of the directive for negotiation purposes with third countries. If the directive were to be adopted in this form it would take effect from 1st January, 2004. The proposal is, however, not yet final and may be subject to revision. The negotiations referred to above are for the purposes of obtaining assurances with regard to the application of the same measures in dependent and associated territories of member states and to the adoption of equivalent measures by certain third countries. ECOFIN has stated that it will decide, on the basis of a report on the outcome of the negotiations for such assurances, on a final text of the directive no later than 31st December, 2002, and will do so by unanimity.

## SUBSCRIPTION AND SALE

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Under a Subscription Agreement entered into with the Issuer on 2nd July, 2002 Barclays Bank PLC, BNP Paribas, Goldman Sachs International, J.P. Morgan Securities Ltd., Merrill Lynch International, Morgan Stanley & Co. International Limited and Cazenove & Co. Ltd (each a “**Manager**” and together the “**Managers**”) have agreed to subscribe for the TONs at the issue price of 99.866 per cent. of their principal amount. The Issuer has agreed to pay to the Managers a combined management and underwriting commission of 1 per cent. of such principal amounts and to reimburse the Managers for certain of their expenses. The Subscription Agreement is subject to termination in certain circumstances prior to payment to the Issuer.

### UNITED STATES OF AMERICA

The TONs 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.

TONs 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 TONs (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 TONs during the restricted period a confirmation or other notice setting forth the restrictions on offers and sales of TONs 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 TONs 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 and agreed that:

- (1) it has not offered or sold and will not offer or sell any TONs to persons in the United Kingdom prior to admission of such TONs to listing in accordance with Part VI of the FSMA except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995, as amended, or the FSMA;
- (2) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any TONs in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (3) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the TONs in, from or otherwise involving the United Kingdom.

### GENERAL

Each Manager has represented and agreed that it will only sell TONs in compliance with the laws and regulations in any jurisdiction applicable to such sale.

## GENERAL INFORMATION

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1. The listing of the TONs on the Official List will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that admission of the TONs to the Official List and to trading on the London Stock Exchange's market for listed securities will be granted on 4th July, 2002 subject only to the issue of the Temporary Global TON. If the Temporary Global TON is not issued as mentioned in this document, the issue of the TONs may be cancelled. Prior to official listing, however, dealings in TONs will be permitted by the London Stock Exchange in accordance with its rules.
2. The TONs have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems with a Common Code of 15005238. The ISIN code for the TONs is XS0150052388.
3. All TONs, Coupons and Talons will carry a legend to the following effect: "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". The sections referred to in such legend provide that United States persons, with certain exceptions, will not be entitled to deduct any loss, and will not be entitled to capital gains treatment with respect to any gain, realised on any sale, exchange or redemption of a TON, Coupon or Talon.
4. No member of the Group is or has been involved in any legal or arbitration proceedings which may have, or have had during the twelve months preceding the date of this document, a significant effect on the Group's financial position nor, so far as the Issuer is aware, are any such proceedings pending or threatened.
5. Save as otherwise disclosed herein, there has been no significant change in the financial or trading position of the Issuer or the Group since 31st December, 2001 and there has been no material adverse change in the financial position or prospects of the Issuer or the Group since 31st December, 2001.
6. No redemption or purchase by the Issuer or any of its subsidiaries for cancellation of the TONs will be made by the Issuer without the prior consent of the Financial Services Authority.
7. The information contained in this document does not constitute statutory accounts (within the meaning of section 240 of the Companies Act 1985 (the "Companies Act")). The annual consolidated accounts of the Issuer and its subsidiaries for each of the three years ended 31st December, 2001 have been audited by PricewaterhouseCoopers, chartered accountants and registered auditors. All three of these accounts contained unqualified audit reports under Section 235 of the Companies Act. Copies of such statutory accounts have been delivered to the Registrar of Companies in England and Wales.
8. Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Issuer, currently at 54 Lombard Street, London EC3P 3AH for a period of 14 days from the date hereof:
  - (i) the Memorandum and Articles of Association of the Issuer;
  - (ii) the published consolidated Annual Report and Accounts of the Issuer and its subsidiaries for the financial years ended 31st December, 2000 and 31st December, 2001 respectively;
  - (iii) the Subscription Agreement;
  - (iv) a draft, subject to amendment, of the Trust Deed including the forms of TONs, Coupons and Talons;
  - (v) a draft, subject to amendment, of the Agency Agreement in relation to the TONs; and
  - (vi) a draft, subject to amendment, of the Calculation Agency Agreement in relation to the TONs.

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