

Offering Circular



BARCLAYS BANK PLC

(Incorporated with limited liability in England)

U.S. \$750,000,000

Undated Floating Rate Primary Capital Notes Series 2

The issue price of the Undated Floating Rate Primary Capital Notes Series 2 (the "Notes") of Barclays Bank PLC (the "Bank") is 100 per cent. of their principal amount.

Interest on the Notes will be at an annual rate of $\frac{1}{4}$ per cent. above the average of specified London inter-bank bid quotations for eurodollar deposits for each Interest Period. Subject as mentioned herein, interest will be payable in February and August of each year. See "Terms and Conditions of the Notes - Interest".

The Notes will have no final maturity date and will only be repayable as set forth under "Terms and Conditions of the Notes - Repayment and Purchase; Default and Enforcement".

The Notes will be unsecured obligations of the Bank and will be subordinated to the claims of Senior Creditors (as defined herein). No payment of principal or interest in respect of the Notes may be made unless the Bank is able to make such payment and remain solvent immediately thereafter. In the event of the winding up in England of the Bank, the holders of the Notes will, for the purpose only of calculating the amounts payable in respect thereof, be treated as if they were the holders of preference shares in the capital of the Bank on the day preceding the commencement of the winding up and thereafter. See "Terms and Conditions of the Notes - Status and Subordination".

Two copies of this document, which comprises the listing particulars required by The Stock Exchange (Listing) Regulations 1984 made under the European Communities Act 1972, have been delivered to the Registrar of Companies in London for registration as required by those Regulations.

Application has been made to the Council of The Stock Exchange, London, for the Notes to be admitted to the Official List.

The Notes have not been registered under the Securities Act of 1933, as amended, of the United States and may not be offered, sold or re-sold, directly or indirectly, or delivered, in the United States or to U.S. persons, with certain exceptions, as part of the distribution thereof, as set forth under "Subscription and Sale".

The Notes will initially be represented by a single temporary Global Note which will be deposited with a common depository for the CEDEL and Euro-clear systems on or about 14th February, 1986. The temporary Global Note will be exchangeable for definitive Notes, which will be in bearer form in the denominations of U.S.\$10,000 and U.S.\$100,000, only after at least 90 days following the completion of the distribution of the Notes, as determined by Barclays Merchant Bank Limited. Delivery will only be effected outside the United States and upon presentation of a certificate as more fully set forth under "Temporary Global Note".

Barclays Merchant Bank Limited

Goldman Sachs International Corp.

Salomon Brothers International Limited

Shearson Lehman Brothers International

S. G. Warburg & Co. Ltd.

Algemene Bank Nederland N.V.

Bank Leu International Ltd.

Bank of Tokyo International Limited

Banque Bruxelles Lambert S.A.

Banque Internationale à Luxembourg S.A.

Banque Nationale de Paris

Banque Paribas Capital Markets Limited

Chase Investment Bank

Citicorp Investment Bank Limited

County Bank Limited

Crédit Commercial de France

Dai-Ichi Kangyo International Limited

Daiwa Europe Limited

Dresdner Bank Aktiengesellschaft

Genossenschaftliche Zentralbank AG
Vienna

Girozentrale und Bank der österreichischen Sparkassen
Aktiengesellschaft

IBJ International Limited

Kidder, Peabody International Limited

Lloyds Merchant Bank Limited

Merrill Lynch Capital Markets

Mitsui Finance International Limited

Samuel Montagu & Co. Limited

Morgan Grenfell & Co. Limited

Morgan Stanley International

Nederlandsche Middenstandsbank nv

The Nikko Securities Co., (Europe) Ltd.

Nomura International Limited

Orion Royal Bank Limited

Société Générale

Standard Chartered Merchant Bank

Sumitomo Finance International

Swiss Bank Corporation International Limited

Swiss Volksbank

Toyo Trust International Limited

Union Bank of Switzerland (Securities) Limited

Yamaichi International (Europe) Limited

6th February, 1986



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BARCLAYS BANK PLC

(Incorporated with limited liability in England)

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ISSUE OF
U.S.\$750,000,000
Undated Floating Rate Primary Capital Notes Series 2
Issue Price: 100 per cent.

This document contains particulars in accordance with the Regulations of the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland ("The Stock Exchange") for the purpose of giving information with regard to an issue of U.S.\$750,000,000 Undated Floating Rate Primary Capital Notes Series 2 (the "Notes") of Barclays Bank PLC (the "Bank").

The Bank is the person responsible for the information contained in this document. To the best of the knowledge and belief of the Bank (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. The Bank accepts responsibility accordingly.

Application has been made to the Council of The Stock Exchange for the Notes to be admitted to the Official List.

In connection with the issue and sale of the Notes, no person is authorised to give any information or to make any representations not contained in this document and neither the Bank nor any of the Managers (as defined under "Subscription and Sale" below) accepts responsibility for any such information and representation.

In this document all references to "£" are to pounds sterling and all references to "dollars" or "\$" are to United States dollars.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes substantially as they will appear on the Notes:—

The U.S.\$750,000,000 Undated Floating Rate Primary Capital Notes Series 2 (the "Notes") (which expression shall in these Terms and Conditions, unless the context otherwise requires, include any further bearer notes issued pursuant to Condition 12 and forming a single series with the Notes) are in bearer form with interest coupons and talons for further interest coupons (together, where the context so permits, the "Coupons") attached. The issue of the Notes was authorised by resolutions of a duly constituted Committee of the Board of Directors of the Bank passed on 28th January and 6th February, 1986. The Notes are constituted by a First Supplemental Trust Deed dated the Issue Date (as defined in Condition 3(a)) between the Bank and Phoenix Assurance Public Limited Company (the "Trustee") as trustee for the holders of the Notes (the "Noteholders") and expressed to be supplemental to the principal Trust Deed dated 2nd July, 1985 between the Bank and the Trustee constituting the outstanding U.S.\$600,000,000 Undated Floating Rate Primary Capital Notes of the Bank (the "Series 1 Notes"). The said First Supplemental Trust Deed and principal Trust Deed are herein referred to collectively as the "Trust Deed". The Bank is the initial principal paying agent for the Notes (in such capacity, the "Principal Paying Agent"). Copies of the Trust Deed together with copies of the Agent Bank Agreement and the Paying Agency Agreement referred to below are available for inspection at the registered office for the time being of the Trustee (being at the date hereof 1 Bartholomew Lane, London EC2N 2AB) and at the specified office(s) of the Principal Paying Agent and each of the other paying agents referred to in Condition 5 (all together, the "Paying Agents"). The statements set out in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed in relation to the Notes. The Noteholders and holders of the Coupons (the "Couponholders") are entitled to the benefit of, and are deemed to have notice of, all the provisions of the Trust Deed in relation to the Notes, the Agent Bank Agreement, the Paying Agency Agreement and the Notes, all of which are binding on them.

The obligations of the Bank in respect of the Notes and Coupons are conditional upon the Bank being solvent at the time of payment by the Bank and immediately thereafter. Neither these Terms and Conditions nor the Trust Deed provide any remedy for non payment of the interest in respect of the Notes so long as no dividend has been paid or declared in respect of any class of share capital of Barclays PLC in the Interest Period preceding the applicable Interest Payment Date. In the event of a winding up of the Bank the right to claim for interest (including Arrears of Interest) may be limited by applicable insolvency laws.

1. Title and Denominations

Title to the Notes and the Coupons will pass by delivery. The Bank, the Trustee and any Paying Agent may treat the holder of any Note and the holder of any Coupon as the absolute owner thereof (whether or not such Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing thereon or any notice of previous loss or theft or of trust or other interest therein) for the purpose of making payment and for all other purposes.

The definitive Notes, which are serially numbered, are issued as to 20 per cent. of their aggregate principal amount in the denomination of \$10,000 each and as to 80 per cent. of their aggregate principal amount in the denomination of \$100,000 each. Notes of one denomination are not exchangeable for Notes of the other denomination.

2. Status and Subordination

(a) The Notes and the Coupons constitute unsecured obligations of the Bank ranking *pari passu* without any preference among themselves. The Notes and the Series 1 Notes, which are separate series of bearer notes, rank *pari passu inter se* in point of subordination.

(b) The rights of the Noteholders and Couponholders are subordinated to the claims of Senior Creditors (as defined below) and, accordingly, payments of principal and interest are conditional upon the Bank being solvent at the time of payment by the Bank, and no principal or interest shall be payable in respect of the Notes except to the extent that the Bank could make such payment and still be solvent immediately thereafter. For the purposes of this paragraph (b) the Bank shall be solvent if (i) it is able to pay its debts as they fall due and (ii) its Assets (as defined below) exceed its Liabilities (as defined below) (other than, except in the circumstances provided in the Trust Deed, its Liabilities to persons who are not Senior Creditors). The Trust Deed contains provisions requiring a report as to the solvency of the Bank to be made by two Directors of the Bank or, in certain circumstances as provided in the Trust Deed, the Auditors (as defined in the Trust Deed) or, if the Bank is in winding up in England, its liquidator prior to any payment of principal or interest and also prior to the purchase of any Notes beneficially by or for the account of the Bank or any of its Subsidiaries (as defined in the Trust Deed). Any such report shall, in the absence of proven error, be treated and accepted by the Bank, the Trustee and the Noteholders and Couponholders as correct and sufficient evidence of such solvency.

(c) If at any time the Bank is in winding up in England, there shall be payable in respect of the Notes (in lieu of any other payment but subject as provided in paragraph (b) above) such amounts (if any) as would have been payable in respect thereof as if, on the day immediately prior to the commencement (as defined in the Trust Deed) of the winding up and thereafter, the Noteholders were the holders of a class of preference shares in the capital of the Bank having a preferential right to a return of assets in the winding up over the holders of all other classes of shares for the time being in the capital of the Bank on the assumption that such preference shares were entitled (to the exclusion of any other rights or privileges) to receive on a return of capital in such winding up an amount equal to the principal amount of the Notes together with interest accrued to the date of repayment (as provided in the Trust Deed) and any Arrears of Interest (as defined in Condition 3).

(d) As used in this Condition 2:

“Senior Creditors” means creditors of the Bank (i) who are depositors and/or other unsubordinated creditors of the Bank or (ii) whose claims are, or are expressed to be, subordinated to the claims of depositors and other unsubordinated creditors of the Bank (whether only in the event of a winding up of the Bank or otherwise) but not further or otherwise or (iii) who are subordinated creditors of the Bank (whether as aforesaid or otherwise) other than those whose claims are expressed to rank *pari passu* with or junior to the claims of the Noteholders and Couponholders and any claims ranking *pari passu* with such last mentioned claims.

“Assets” means the total amount of the unconsolidated gross tangible assets of the Bank, and “Liabilities” means the total amount of the unconsolidated gross liabilities of the Bank, in each case as shown by the latest published audited balance sheet of the Bank, but adjusted, if the aggregate amount included in such balance sheet in respect of the Bank’s investment in all Subsidiaries and Associated Companies (as defined in the Trust Deed) of the Bank exceeds the aggregate of the net tangible assets of such Subsidiaries and Associated Companies attributable to the Bank (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 therefrom an amount equal to such excess and adjusted also for contingencies and subsequent events in such manner as the above-mentioned Directors, the Auditors or the liquidator (as the case may be) may determine.

N.B. If the Bank would not otherwise be solvent (having taken into account liabilities to both Senior Creditors and creditors other than Senior Creditors), the amount of principal and of sums which would otherwise be payable as interest in respect of the Notes will be available to meet the losses of the Bank.

3. Interest

(a) Accrual of Interest

The Notes bear interest from and including 14th February, 1986* (the “Issue Date”). Interest in respect of each Note will accrue from day to day and will cease to accrue from the due date for repayment thereof unless, upon due presentation, payment of principal is improperly withheld or refused or is not made by reason of Condition 2(b).

*Or, in the event that the closing date in regard to the Notes is deferred as permitted by the Subscription Agreement described under “Subscription and Sale” below, such later date in February, 1986 as shall be such closing date.

(b) Interest Payment Dates, Interest Periods and Arrears of Interest

Interest in respect of the Notes is (subject to Condition 2(b)) payable on each Compulsory Interest Payment Date (as defined below) in respect of the Interest Period (as defined below) ending on the day immediately preceding such date. On any Optional Interest Payment Date (as defined below) there may be paid (if the Bank so elects but subject to Condition 2(b)) the interest in respect of the Notes accrued in the Interest Period ending on the day immediately preceding such date, but the Bank shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Bank for any purpose. Any interest in respect of the Notes not paid on an Interest Payment Date, together with any other interest in respect thereof not paid on any other Interest Payment Date, shall, so long as the same remains unpaid, constitute "Arrears of Interest". Arrears of Interest may at the option of the Bank be paid in whole or in part at any time upon the expiration of not less than seven days' notice to such effect given to the Trustee and to the Noteholders in accordance with Condition 13, but all Arrears of Interest in respect of all Notes for the time being outstanding (as defined in the Trust Deed) shall (subject to Condition 2(b)) become due in full on whichever is the earliest of (i) the date upon which a dividend is next paid on any class of share capital of the Holding Company (as defined below), (ii) the date fixed for any repayment pursuant to Condition 4(a) or (b) or (iii) the commencement of a winding up in England of the Bank. If notice is given by the Bank of its intention to pay the whole or any part of Arrears of Interest, the Bank shall be obliged (subject to Condition 2(b)) to do so upon the expiration of such notice. Where Arrears of Interest are paid in part, each part payment shall be in respect of the full amount of the Arrears of Interest accrued due to the relative Interest Payment Date or consecutive Interest Payment Dates furthest from the date of payment. Arrears of Interest shall not themselves bear interest.

As used herein:

"Interest Payment Date" means the date falling six calendar months after the Issue Date and thereafter each date which falls six calendar months after the immediately preceding Interest Payment Date. If, as determined on the relevant Interest Determination Date (as defined in paragraph (c) below), the applicable Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined below) it shall be postponed to the next day which is a Business Day unless it would thereby fall in the next calendar month. In the latter event the Interest Payment Date in question shall be the immediately preceding day which is a Business Day. If for any reason an Interest Payment Date is so determined by the Agent Bank (as defined in paragraph (c) below) to be, or to be deemed to be, the last Business Day of any calendar month all subsequent Interest Payment Dates shall (subject as provided below) be the last Business Day of each February and August. If, however, after the determination of an Interest Payment Date the same is declared or determined not to be a Business Day, then that Interest Payment Date will be re-determined on the above basis (*mutatis mutandis*) except that if such re-determination falls to be made 14 days or less before that Interest Payment Date as originally determined then that Interest Payment Date as re-determined will be postponed to the next day which is a Business Day even though such Business Day falls in the next calendar month. Subsequent Interest Payment Dates will, in such event, nevertheless be determined as if that re-determined Interest Payment Date had fallen on the last Business Day of the calendar month in which it was originally determined to fall.

"Compulsory Interest Payment Date" means any Interest Payment Date if, in the Interest Period ending on the day immediately preceding such date, any dividend has been declared or paid on any class of share capital of the Holding Company.

"Optional Interest Payment Date" means any Interest Payment Date other than a Compulsory Interest Payment Date.

"Interest Period" means the period from and including one Interest Payment Date (or, as the case may be, the Issue Date) up to but excluding the next (or first) Interest Payment Date.

"Business Day" means a day on which banks and foreign exchange markets are open for business in both London and New York City.

"Holding Company" means Barclays PLC or other the ultimate holding company for the time being of the Bank or, if at any relevant time there shall be no such holding company, then "Holding Company" shall mean the Bank itself.

(c) Rate of Interest

For the purpose of determining the rate of interest payable in respect of the Notes, the Bank has entered into an agreement (the "Agent Bank Agreement") with Barclays Merchant Bank Limited (the "Agent Bank").

The rate of interest from time to time payable in respect of the Notes (the "Rate of Interest") shall be determined by the Agent Bank on the basis of the following provisions:

- (i) On each "Interest Determination Date", namely the second Business Day prior to the commencement of the Interest Period for which such rate will apply, the Agent Bank will request the principal London office of each of the Reference Banks (as described in paragraph (g) below) to provide the Agent Bank with its bid quotation to leading banks for eurodollar deposits in the London inter-bank market for the Interest Period concerned as at 11.00 a.m. (London time) on the Interest Determination Date in question. The Rate of Interest for such Interest Period shall be $\frac{1}{4}$ per cent. per annum above the arithmetic average (rounded if necessary to the nearest $\frac{1}{16}$ per cent., $\frac{1}{32}$ per cent. being rounded upwards) of such bid quotations provided by three out of the five quoting Reference Banks (excluding the highest and lowest (or, in either case, if more than one, then one only of them) of the bid quotations provided by all the Reference Banks).

- (ii) If on any Interest Determination Date four only of the Reference Banks provide the Agent Bank with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with (i) above on the basis of the bid quotations provided by two out of the four quoting Reference Banks (excluding as aforesaid).
- (iii) If on any Interest Determination Date three or two only of the Reference Banks provide such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with (i) above on the basis of the bid quotations provided by all the quoting Reference Banks (but without excluding as aforesaid).
- (iv) If on any Interest Determination Date one only or none of the Reference Banks provides such a quotation, then the Rate of Interest for the relevant Interest Period shall be (a) the Rate of Interest in effect on that Interest Determination Date or, if determinable and if higher, (b) the Reserve Interest Rate. The "Reserve Interest Rate" shall be the rate per annum which the Agent Bank determines to be either (i) $\frac{1}{4}$ per cent. per annum above the arithmetic average (rounded if necessary to the nearest $\frac{1}{16}$ per cent., $\frac{1}{32}$ per cent. being rounded upwards) of the dollar lending rates which up to five New York City banks selected by the Agent Bank are quoting, on the relevant Interest Determination Date, for the applicable Interest Period, to the Reference Banks or those of them (being at least two in number) to which such quotations are, in the opinion of the Agent Bank, being so made or (ii) in the event that the Agent Bank can determine no such arithmetic average, $\frac{1}{4}$ per cent. per annum above the arithmetic average (rounded as aforesaid) of the lowest dollar lending rates which up to five New York City banks selected by the Agent Bank are quoting on such Interest Determination Date to leading European banks for the applicable Interest Period.

(d) Determination of Rate of Interest and Coupon Amounts

The Agent Bank shall, on or as soon as practicable after each Interest Determination Date, but in no event later than the fourth Business Day thereafter, determine the Rate of Interest in respect of the relevant Interest Period and the amount of interest payable in respect of each \$10,000 principal amount of Notes (the "Interest Amount") for such Interest Period. The Interest Amount shall be calculated by applying the relevant Rate of Interest to the principal amount of \$10,000, multiplying such sum by the actual number of days in the Interest Period concerned divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upwards). The amount of interest payable on the presentation and surrender of each Coupon (the "Coupon Amount") for the relevant Interest Period will be the Interest Amount in respect of each Note of \$10,000 and ten times the Interest Amount in respect of each Note of \$100,000.

(e) Notification of Rate of Interest and Coupon Amounts

The Bank shall cause notice of the Rate of Interest and the Coupon Amounts for each Interest Period, together with the relative Interest Payment Date, to be given to the Trustee and the Paying Agents as soon as practicable after their determination but in no event later than the fourth Business Day thereafter. The Coupon Amounts and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the relevant Interest Period or of manifest error. Details of such Rate of Interest, Coupon Amounts and Interest Payment Date will be available from the Paying Agents, but the Bank will not be obliged to publish such details in accordance with Condition 13.

(f) Determination of Rate of Interest and Coupon Amounts by Trustee

The Trustee shall, if the Agent Bank does not at any material time for any reason determine the Rate of Interest and Coupon Amounts in accordance with paragraphs (c) and (d) above, determine the Rate of Interest and Coupon Amounts, the former at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described in paragraph (c) above), it shall deem fair and reasonable in all the circumstances, and such determination shall be deemed to be a determination thereof by the Agent Bank.

(g) Reference Banks and Agent Bank

The Bank shall procure that so long as any of the Notes remains outstanding there shall at all times be five Reference Banks and an Agent Bank. The initial Reference Banks are Citibank N.A., Dresdner Bank Aktiengesellschaft, Morgan Guaranty Trust Company of New York, The Sumitomo Bank, Limited and Swiss Bank Corporation. The Bank may, with the prior written approval of the Trustee, from time to time replace any Reference Bank or the Agent Bank by another bank engaged in the eurodollar market. In the event of the appointed office of any such Reference Bank or Agent Bank being unable or unwilling to continue to act as a Reference Bank or the Agent Bank (as the case may be) or (without prejudice to paragraph (f) above), in the case of the Agent Bank, failing duly to determine the Rate of Interest and the Coupon Amounts for any applicable Interest Period, the Bank shall forthwith appoint the London office of such other bank engaged in the eurodollar market as may be approved by the Trustee to act as such in its place. The Agent Bank may not resign its duties or be removed without a successor having been appointed as aforesaid.

(h) Notifications, etc. to be final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 3, whether by the Reference Banks (or any of them), the Agent Bank or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Bank, the Reference Banks, the Agent Bank, the Trustee, the Paying Agents and all Noteholders and Couponholders and (in the absence as aforesaid) no liability to the Noteholders or Couponholders shall attach to the Reference Banks, the Agent Bank or the Trustee in connection with the exercise or non-exercise by them of their powers, duties and discretions.

4. Repayment and Purchase

The Notes are undated and, accordingly, have no final maturity date and may not be repaid except in accordance with the provisions of this Condition 4 or Condition 7.

(a) Repayment for Taxation Reasons

If the Bank satisfies the Trustee immediately prior to the giving of the notice referred to below that:

- (i) on the next Interest Payment Date the Bank would be compelled by law for reasons outside its control to pay any additional amounts in accordance with Condition 6, or
- (ii) the payment of interest in respect of the Notes would be treated as "distributions" within the meaning of the Taxes Act for the time being of the United Kingdom,

the Bank may at its option, having given not less than 45 nor more than 60 days' notice to the Trustee and to the Noteholders in accordance with Condition 13, repay on any Interest Payment Date all, but not some only, of the Notes at their principal amount. Upon the expiration of such notice the Bank shall (subject to Condition 2(b)) be bound to repay all the Notes at their principal amount together with the interest in respect thereof accrued in the Interest Period ending on the day immediately preceding such Interest Payment Date and all Arrears of Interest.

(b) Optional Repayment

The Bank may, having given not less than 45 nor more than 60 days' notice to the Trustee and to the Noteholders in accordance with Condition 13, repay on any Interest Payment Date falling in or after February, 1991 all, or from time to time some only, of the Notes (aggregating, in the case of a repayment of some only of the Notes, \$10,000,000 in principal amount or an integral multiple thereof) at their principal amount. Upon the expiration of such notice the Bank shall (subject to Condition 2(b)) be bound to repay the Notes to which such notice refers at their principal amount together with the interest in respect thereof accrued in the Interest Period ending on the day immediately preceding such Interest Payment Date and all Arrears of Interest.

(c) Optional Purchase

Subject to Condition 2(b), the Bank or any of its Subsidiaries may at any time purchase beneficially or procure others to purchase beneficially for its account Notes (i) in the open market or by tender (available to all Noteholders alike) at a price (exclusive of expenses and accrued interest) which does not exceed the average of the middle market quotations of the Notes (derived from The Stock Exchange Daily Official List) on The Stock Exchange (as defined in the Trust Deed) (or, failing such quotations, by reference to such other quotations as may be agreed between the Bank and the Trustee) for the 10 dealing days (or, as the case may be, working days) before the purchase is made or, in the case of a purchase through the open market, the market price provided that it is not more than 5 per cent. above such average, or (ii) by private treaty at a price (exclusive of expenses and accrued interest) not exceeding 110 per cent. of the middle market quotation of the Notes (derived from The Stock Exchange Daily Official List) on The Stock Exchange (or, failing such quotation, by reference to such other quotation as may be agreed between the Bank and the Trustee) on the last dealing day (or, as the case may be, the last working day) preceding the date of purchase. Each such purchase of Notes shall include all unmatured Coupons and talons appertaining thereto. No Notes may be purchased beneficially by or for the account of the Bank or any of its Subsidiaries otherwise than in accordance with this paragraph (c).

References in this paragraph (c) and in paragraph (d) below to the purchase of Notes shall not include the purchase of Notes in the ordinary course of a business of dealing in securities.

(d) Cancellation and Re-sale

All Notes (i) repaid or (ii) purchased beneficially by or for the account of the Bank will be cancelled together with all unmatured Coupons and talons attached thereto or surrendered therewith and accordingly will not be available for re-issue or re-sale.

(e) Drawings and Notices of Repayment

In the case of a partial repayment under paragraph (b) above, Notes to be drawn for repayment will be drawn in London or in such other place as the Trustee may approve, in a manner approved by the Trustee, not more than 45 days before the Interest Payment Date fixed for repayment and notice of the serial numbers of the Notes so drawn and of the date fixed for repayment will be published in accordance with Condition 13 not less than 30 days before such date.

5. Payments

The names of the initial Paying Agents (which have been appointed by the Bank under the Paying Agency Agreement) and their specified offices are set out at the end of these Terms and Conditions.

Payments of principal and interest in respect of the Notes will (subject to Condition 2(b)) only be made against presentation and surrender of Notes or, as the case may be, Coupons at any specified office of any of the initial Paying Agents or of any such additional Paying Agent(s) outside the United States as the Bank may appoint from time to time with the prior approval of the Trustee, in each case subject to the laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 6. Payments in respect of the Notes and Coupons will be made by dollar cheque drawn on a bank in New York City, or by transfer to a dollar account maintained by the payee with a bank outside the United States. No payment of principal or interest in respect of the Notes will be made to an address in the United States or by transfer to an account maintained by the payee in the United States. Without prejudice to the generality of the foregoing, the Bank reserves the right to require a Noteholder or Couponholder to provide a Paying Agent with such certification or information as may be required to enable the Bank to comply with the requirements of the United States federal income tax laws.*

Notwithstanding the foregoing, if the payment of the full amount in dollars in respect of the Notes and Coupons at the specified offices of all such Paying Agents is illegal or effectively precluded because of the imposition of exchange controls or similar restrictions on the payment or receipt of such amount in dollars and such payment is then permitted under United States law to be made in the United States, then upon the request of the Trustee the Bank shall appoint a Paying Agent having a specified office in the United States at which such payment will be made.

Upon the due date for repayment of any Note, unmatured Coupons and talons appertaining to such Note (whether or not attached) shall become void and no payment shall be made in respect of such Coupons and no exchange shall be made in respect of such talons. If the date for repayment of a Note is not an Interest Payment Date, the interest accrued from the preceding Interest Payment Date (or the Issue Date, as the case may be) shall be payable only against presentation of such Note.

In the event of a winding up in England of the Bank, all unmatured Coupons and talons shall become void and any payment of interest in respect of the Notes to which such Coupons appertain shall be made only against presentation of such Notes. In addition, in the event of such a winding up, each Note which is presented for payment must be presented together with all Coupons appertaining thereto (whether or not attached) in respect of Arrears of Interest, failing which the Coupon Amount of any such missing Coupon (or, in the case of payment not being made in full, that proportion of such Coupon Amount which the amount so paid bears to the total amount payable in respect of such Note (inclusive of Arrears of Interest and accrued interest)) will be deducted from the sum due for payment on presentation of such Note. In the case of any such missing Coupon, the amount so deducted will be payable in the manner mentioned above against presentation and surrender of such Coupon within a period of 12 years from the Relevant Date (as defined in Condition 6) in relation to the payment of such amount.

For the purpose of these Terms and Conditions, "unmatured Coupon" means a Coupon in respect of which the applicable Interest Payment Date falls after the date fixed for the repayment of the Note to which such Coupon appertains or, as the case may be, the date on which a winding up in England of the Bank commences (or is deemed to commence).

The Bank may, with the prior approval of the Trustee, vary or terminate the appointment of any Paying Agent and/or appoint additional Paying Agents and/or approve any change in the specified office of any Paying Agent, provided that so long as any of the Notes remains outstanding the Bank will maintain a Paying Agent with a specified office in continental Europe and, so long as the Notes are listed on The Stock Exchange, a Paying Agent with a specified office in London. In the event of any such variation, termination, appointment or change in specified office, notice thereof will be given by the Bank to the Noteholders in accordance with Condition 13.

6. Taxation

All payments of principal and interest will be made without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature imposed or levied by, or on behalf of, the United Kingdom or any authority in the United Kingdom having power to tax, unless the Bank is compelled by law to withhold or deduct such taxes or duties. In any such case, the Bank will pay such additional amounts as will result in the payment to the Noteholders and/or the Couponholders concerned of the sum which would in the absence of such withholding or deduction be payable on the Notes and/or the Coupons, provided that no such additional amount shall be payable in respect of any Note or Coupon presented for payment:—

(a) by or on behalf of a holder who is liable to such taxes or duties in respect of such principal or interest by reason of his having some connection with the United Kingdom other than the mere holding of the Note or the Coupon (as the case may be); or

(b) in the United Kingdom; or

(c) more than 30 days after the Relevant Date, except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment at the close of such 30 day period.

*It is likely that corporations, including banks and other financial institutions, would be required only to provide evidence of their corporate status.

For this purpose the "Relevant Date" in relation to such payment means:

- (i) the date on which such payment first becomes due; or
- (ii) (if the full amount of the moneys payable on such due date has not been received by the Principal Paying Agent or the Trustee on or prior to such due date) such later date on which notice is duly given to the Noteholders in accordance with Condition 13 that such moneys have been so received.

References herein to principal and/or interest shall be deemed also to refer to any additional amounts which may be payable under this Condition 6 or under the Trust Deed.

7. Default and Enforcement

(a) If the Bank shall not make payment in respect of the Notes (in the case of any payment of principal) for a period of seven days or more after the due date for the same or (in the case of any payment of interest) for a period of 14 days or more after a Compulsory Interest Payment Date or any other date upon which the payment of interest is compulsory, the Trustee may institute proceedings in England (but not elsewhere) for the winding up of the Bank, provided that it shall not have the right to institute such proceedings if and so long as the Bank withholds or refuses any such payment (i) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment or (ii) (subject as provided in the Trust Deed), in case of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice given as to such validity or applicability at any time during the said period of seven or 14 days, as the case may be, by independent legal advisers acceptable to the Trustee. For the purposes of this paragraph (a) a payment shall be deemed to be due or compulsory even if the condition set out in Condition 2(b) is not satisfied.

(b) The Trustee may at its discretion and without further notice institute such proceedings against the Bank as it may think fit to enforce any obligation, condition or provision binding on the Bank under the Trust Deed, the Notes or the Coupons (other than any obligation for the payment of any principal or interest in respect of the Notes or Coupons) provided that the Bank shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

(c) The Trustee shall not be bound to take the action referred to in paragraph (a) or (b) above to enforce the obligations of the Bank in respect of the Trust Deed, the Notes or the Coupons unless (i) it shall have been so requested by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders or in writing by the holders of at least 25 per cent. in principal amount of the Notes then outstanding and (ii) it shall have been indemnified to its satisfaction.

(d) No Noteholder or Couponholder shall be entitled to institute any of the proceedings referred to in paragraph (a) or (b) above or to prove in the winding up of the Bank, except that if the Trustee, having become bound to proceed against the Bank as aforesaid, fails to do so, or, being able to prove in such winding up, fails to do so, in each case within a reasonable period, and in each such case such failure shall be continuing, then any such holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute such proceedings and/or prove in the winding up of the Bank to the same extent and in the same jurisdiction (but not further or otherwise) that the Trustee would have been entitled so to do in respect of his Notes and/or Coupons. No remedy against the Bank, other than the institution of the proceedings referred to in paragraph (a) or (b) above, shall be available to the Trustee or the Noteholders or Couponholders whether for the recovery of amounts owing in respect of the Notes or the Coupons or under the Trust Deed or in respect of any breach by the Bank of any of its obligations under the Trust Deed or the Notes.

8. Prescription

Each Note and Coupon shall become void unless presented for payment within 12 years after the Relevant Date (as defined in Condition 6) in relation to payment thereof.

9. Modification of Terms and Conditions, Waiver and Substitution

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Terms and Conditions or the provisions of the Trust Deed, except that the provisions relating to subordination are not so capable of modification. The quorum at any such meeting for passing an Extraordinary Resolution for modifying certain provisions (including, *inter alia*, those concerning the amount, currency and due dates of payment of principal and interest in respect of the Notes and determination of the Rate of Interest) will be persons holding or representing not less than two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Notes for the time being outstanding. In other cases the quorum for passing an Extraordinary Resolution will be persons holding or representing not less than a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting persons being or representing Noteholders whatever the principal amount of the Notes held or represented by them. Any resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not, and on all the Couponholders.

The Trustee may agree, without the consent of the Noteholders or the Couponholders, to any modification of (subject to certain exceptions), or to any waiver or authorisation of any breach or proposed breach of any provision of, the Trust Deed which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification which is of a formal or technical nature or which is made to correct a manifest error.

The Trustee may also agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of a Subsidiary of the Bank in place of the Bank as principal debtor under the Trust Deed, the Notes and the Coupons, subject to the Notes and Coupons being, to the satisfaction of the Trustee, guaranteed by the Bank on a subordinated basis equivalent to that mentioned in Condition 2, and so that the claims of the Noteholders and the Couponholders may, in the case of the substitution of a banking Subsidiary of the Bank in place of the Bank, be subordinated to the rights of all or any other creditors of that Subsidiary. For this purpose the Trustee may agree, without the consent of the Noteholders or the Couponholders, to a change in the law governing the Trust Deed and/or the Notes and/or the Coupons, provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders.

In connection with any proposed substitution as aforesaid, the Trustee shall not have regard to the consequences of such substitution for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory.

Any such modification, waiver, authorisation or substitution shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

10. Replacement of Notes, Coupons and Talons

If a Note, Coupon or talon is mutilated, defaced, destroyed, stolen or lost it may, and shall, in the case of mutilation or defacement, upon the surrender of the mutilated or defaced Note, Coupon or talon, be replaced at the specified office of the Principal Paying Agent on payment of such costs as may be incurred in connection therewith and, in the case of destruction, theft or loss, on such terms as to evidence and indemnity as the Bank may reasonably require.

11. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Bank, the Holding Company or any other Subsidiary thereof without accounting for any profit resulting therefrom.

12. Further Issues

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

13. Notices

All notices to the Noteholders will be valid if published in a leading daily English language newspaper published in London (which is expected to be the *Financial Times*) or, if at any time such publication is not possible, in such other English language newspaper or newspapers circulating or published in Europe as the Bank, with the approval of the Trustee, shall determine. Such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication.

14. Governing Law

Subject as mentioned in Condition 9, the Trust Deed, the Notes and the Coupons are governed by and will be construed in accordance with the law of England and the English courts have jurisdiction in connection with the Trust Deed, the Notes and the Coupons.

TEMPORARY GLOBAL NOTE

The Notes will initially be represented by a single temporary Global Note (the "Global Note"), without interest coupons. The Global Note will be delivered and deposited outside the United States (as defined under "Subscription and Sale" below) on behalf of subscribers with a common depositary for the CEDEL and Euro-clear systems on or about 14th February, 1986. The Global Note will be exchangeable, without charge, for definitive Notes in bearer form in the denominations of \$10,000 and \$100,000, with Coupons attached, not earlier than the first date (the "Exchange Date") after at least 90 days following the completion of the distribution of the Notes, as determined by Barclays Merchant Bank Limited. The exchange into definitive Notes will only be effected outside the United States and upon presentation (a) of a certificate that the same are not being acquired by or on behalf of, or for offering or re-sale to, a U.S. person (as defined under "Subscription and Sale" below) or (b), if the beneficial owner is a U.S. bank branch (as defined under "Subscription and Sale" below), of a certificate to the effect set out in the Trust Deed containing the representations and agreements described under "Subscription and Sale" below.

USE OF PROCEEDS

The net proceeds of the issue of the Notes are estimated to amount to \$748,500,000 and will be used for the development and expansion of the business of the Bank and its subsidiaries (the "Group") and further to strengthen the capital base of the Bank.

THE BANK AND THE GROUP

Business

The Group, together with associated companies, constitutes one of the major banking groups in the world and provides a comprehensive range of banking, financial and related services through some 3,100 United Kingdom branches and offices and nearly 2,400 offices in over 80 overseas countries.

The Bank currently holds minority interests in stockbrokers de Zoete & Bevan and stockjobbers Wedd Durlacher Mordaunt & Co., both being leading firms on The Stock Exchange. Subject to the approval of The Stock Exchange, it is planned to merge the businesses of these two firms with certain activities of the Group so as to form a new international securities and investment banking group, to be called Barclays de Zoete Wedd, in which the Bank will ultimately have a controlling interest of not less than 75 per cent.

The Bank is a wholly-owned subsidiary of Barclays PLC ("Barclays") and, as part of a group reorganisation (the "Group Reorganisation"), on 1st January, 1985 the whole of the business undertaking of Barclays, other than, *inter alia*, its shareholding in the Bank, was transferred to the Bank in consideration for the issue to Barclays of additional shares in the Bank. As a result, the Bank has become the principal operating company in the Barclays group of companies with responsibility for both the United Kingdom and international banking operations.

Financial Effect of the Group Reorganisation

The following are summarised balance sheets of the Bank and the Group respectively at 1st January, 1985 after giving effect to the Group Reorganisation and should be read in conjunction with "Developments since 31st December, 1984" below:—

The Bank			
	£ millions		£ millions
Trading liabilities (notes 2 and 4)	50,583	Trading assets (notes 3 and 4)	52,231
Loan capital	1,451	Investments in Group companies and trade investments	2,021
Undated loan	516	Property and equipment	945
Stockholders' funds (note 5)	2,647		
	<u>55,197</u>		<u>55,197</u>
The Group (consolidated)			
	£ millions		£ millions
Trading liabilities (note 2)	68,740	Trading assets (note 3)	71,721
Loan capital	1,547	Investments in associated companies and trade investments	493
Undated capital notes	516	Property and equipment	1,409
Minority interests	173		
Stockholders' funds (note 5)	2,647		
	<u>73,623</u>		<u>73,623</u>

Notes:

- The summarised balance sheets are derived from the full audited balance sheets at 31st December, 1984 of Barclays, the Bank and the Group. The summarised balance sheets do not constitute full accounts within the meaning of Section 254 of the Companies Act 1985. Copies of the full accounts of Barclays and the Bank for the year ended 31st December, 1984, which contain unqualified reports given by the auditors, were delivered to the Registrar of Companies.
- Trading liabilities comprise deposits and customers' current accounts, other accounts, current and deferred taxation, balances due to Group companies and long-term borrowings of overseas subsidiary companies.
- Trading assets comprise cash and short-term funds, items in course of collection, investments, advances and other accounts and balances due by Group companies.
- Trading liabilities and trading assets at 1st January, 1985 are stated after eliminating the net balance outstanding at 31st December, 1984 owed by the Bank to Barclays.
- Stockholders' funds included in the balance sheets at 1st January, 1985 take account of the effect of transferring the whole of the business undertaking of Barclays, other than, *inter alia*, its shareholding in the Bank, to the Bank in consideration for the issue to Barclays of additional shares in the Bank.

Profits

For the year ended 31st December, 1984, the consolidated profit before taxation and extraordinary items of Barclays and its subsidiaries was £655 million (1983: £557 million).

Interim Results

The following is a summary of the unaudited consolidated results of Barclays and its subsidiaries for the half-year ended 30th June, 1985:—

	Half-year ended 30th June, 1985 <i>£millions</i>	Half-year ended 31st December, 1984 <i>£millions</i>	Half-year ended 30th June, 1984 <i>£millions</i>
Operating profit	398	298	270
Share of profit of associated companies	33	49	38
Profit before taxation and extraordinary items	431	347	308
Taxation	197	200	142
Profit after taxation	234	147	166
Profit attributable to minority interests in subsidiary companies	8	10	12
	226	137	154
Extraordinary items:			
Special provisions for deferred taxation	—	—	(543)
Transfer from reserves	—	—	543
Other	(2)	(5)	12
	(2)	(5)	12
Profit attributable to members of Barclays PLC	224	132	166
Dividends	58	46	43
Profit retained	166	86	123

Notes:

- The accounting policies used in the preparation of the above unaudited consolidated profit and loss account are as explained on page 27 of the 1984 Barclays annual accounts.
- The charge for taxation is based on an estimated effective rate for the year which assumes an average United Kingdom corporation tax rate of 41.25 per cent. (1984: 46.25 per cent.). Deferred taxation is provided at the estimated rates at which future taxation will become payable on all timing differences between the accounting and taxation treatment of income and expense except where, in the opinion of the Directors, no taxation liability is expected to arise in the foreseeable future.
- The amount charged against profit in respect of bad and doubtful debts comprises:—

	Half-year ended 30th June, 1985 <i>£millions</i>	Half-year ended 31st December, 1984 <i>£millions</i>	Half-year ended 30th June, 1984 <i>£millions</i>
Charge for specific provisions	230	265	195
Charge for general provisions	30	38	42
	260	303	237
Recoveries of amounts previously written off	(10)	(9)	(6)
	250	294	231

Developments since 31st December, 1984

Since 31st December, 1984 the following events have taken place:—

(a) On 30th January, 1985 the Bank sold its 34.3 per cent. shareholding in Bank of Scotland for the sum of £155 million.

(b) In April, 1985 Barclays raised approximately £507 million (after expenses) by a rights issue of new Ordinary shares. The funds so raised have been used to strengthen the capital base of the Bank.

(c) On 17th June, 1985 Barclays Overseas Investment Company B.V. redeemed U.S.\$100 million Guaranteed Floating Rate Notes 1990.

(d) The existing Undated Floating Rate Primary Capital Notes (the "Series 1 Notes") were issued on 2nd July, 1985.

(e) In October, 1985 Barclays National Bank Limited ("Barnat") in South Africa raised approximately Rand 254 million by a rights issue. The Bank did not take up its entitlement under this issue and as a result the Bank's shareholding in Barnat has been reduced from 50.4 per cent. to 40.4 per cent. The Bank's interest in Barnat will in future be treated in the accounts of the Group as an investment in an associated company. Consequently, the consolidated total assets of the Group as at 1st January, 1985 shown above would have been reduced by an estimated £7,000 million on the assumption that the reduction in the Bank's interest in Barnat had taken place prior to 1st January, 1985.

On the same assumption, the effect of the change in the Bank's interest on the consolidated profit before taxation and extraordinary items for 1984 of £655 million referred to under "Profits" above would have been a reduction of £32 million. Similarly, the consolidated profit before taxation and extraordinary items of £431 million for the six month period ended 30th June, 1985 referred to under "Interim Results" above would have been reduced by £10 million. The foregoing does not take account of the effect on Barnat of the new capital raised by the rights issue.

Capitalisation at 31st December, 1985

The following table sets out the share capital of the Bank together with the undated capital notes (as adjusted for the Notes now being issued) and the loan capital of the Group at 31st December, 1985:—

Share capital of the Bank

Authorised in Ordinary shares of £1 each

£ millions

2,000

Issued, fully paid and converted into Ordinary stock

1,218

Ordinary stock includes £688 million issued to Barclays on 15th April, 1985 under the Group Reorganisation.

Undated capital notes

The Bank:

Undated Floating Rate Primary Capital Notes Series 1 (U.S.\$600m)	418
Undated Floating Rate Primary Capital Notes Series 2 (U.S.\$750m) (now being issued)	522

Barclays Overseas Investment Company B.V.:

Junior Guaranteed Undated Floating Rate Notes (U.S.\$600m)	418
	<u>1,358</u>

Loan capital

The Bank:

8¼% Unsecured Capital Bonds 1986 (U.S.\$3m)	2
9½% Unsecured Capital Bonds 1987 (U.S.\$17m)	12
7½% Unsecured Capital Loan Stock 1986/91	7
8¼% Unsecured Capital Loan Stock 1986/93	59
16% Unsecured Capital Loan Stock 2002/07	100
12% Unsecured Capital Loan Stock 2010	150

Barclays Overseas Investment Company B.V.:

4½% Unsecured Notes 1978/88 (Sw Fcs 55m)	18
6¾% Unsecured Bearer Bonds 1979/89 (DM 100m)	28
8½% Unsecured Guaranteed Bonds 1992 (U.S.\$75m)	52
8¾% Unsecured Bearer Bonds 1982/94 (D.M. 100m)	28
Guaranteed Floating Rate Notes 1995 (U.S.\$200m)	139
8½% Unsecured Bearer Bonds 1983/98 (DM 250m)	71
Guaranteed Floating Rate Notes 2004 (U.S.\$350m)	244

Barclays North American Capital Corporation:

14⅝% Guaranteed Capital Notes 1991 (U.S.\$100m)	70
11⅝% Guaranteed Capital Notes 2003 (U.S.\$400m)	279
	<u>1,259</u>

The Junior Guaranteed Undated Floating Rate Notes (the "Junior Notes") carry the junior subordinated guarantee of the Bank ranking behind the claims against the Bank of depositors and other unsecured unsubordinated creditors and holders of loan capital. The Series 1 Notes and the Notes now being issued rank behind the claims against the Bank of the holders of the Junior Notes. The Junior Notes, the Series 1 Notes and the Notes now being issued are expressed in sterling at the exchange rate prevailing on 31st December, 1985. The Junior Notes and the Series 1 Notes bear interest at rates fixed for periods of six months, the rate in force on 31st December, 1985 for the Junior Notes being 8¾ per cent. and for the Series 1 Notes 8⁵/₁₆ per cent.

The loan capital of the Bank has been issued on the basis that the claims thereunder against the Bank are subordinated to the claims of depositors and other unsecured unsubordinated creditors. The loan capital of Barclays Overseas Investment Company B.V. and of Barclays North American Capital Corporation carries the guarantee of the Bank which is subordinated on a similar basis. Loan capital in foreign currencies is expressed in sterling at exchange rates prevailing on 31st December, 1985. The Guaranteed Floating Rate Notes bear interest at rates fixed for periods of six months. At 31st December, 1985, the rates were 8¾ per cent. on the 1995 Notes and 8⁵/₁₆ per cent. on the 2004 Notes. The 1979/89 Bonds are to be redeemed on 1st May, 1986 at the redemption price of 100½ per cent.

Directors

The Directors of the Bank, each of whose address is 54 Lombard Street, London EC3P 3AH, their functions within the Group and their principal outside activities (if any) of significance to the Group are as follows:—

Name	Functions within the Group	Principal outside activity
Sir Timothy Bevan	Chairman	—
J. G. Quinton	Deputy Chairman	—
Sir Martin Jacomb	Deputy Chairman	—
D. R. Pelly	Deputy Chairman	—
A. R. F. Buxton	Vice-Chairman	—
P. S. Ardron	Vice-Chairman, Barclays International Limited	—
Lord Ashton of Hyde	Non-Executive Director	—
Dr. D. V. Atterton CBE	Non-Executive Director	Chairman, Foseco Minsep plc
A. F. Barrett	Senior Local Director, Luton	—
W. Birkbeck	Non-Executive Director	—
S. E. Bolitho MC	Non-Executive Director	—
I. G. Butler	Non-Executive Director	Chairman, Cookson Group plc
Lord Camoys	Vice-Chairman, Barclays Merchant Bank Limited	—
F. R. Dolling	Non-Executive Director	—
F. R. Goodenough	Senior Local Director, Oxford	—
D. H. Henderson	Non-Executive Director	Executive Director, Imperial Chemical Industries PLC
J. R. Henderson CVO, OBE	Non-Executive Director	Chairman, Henderson Administration Group plc
Sir Christophor Laidlaw	Non-Executive Director	Chairman, Bridon plc
H. U. A. Lambert	Non-Executive Director	Chairman Sun Alliance and London Insurance plc
P. E. Leslie	Chief General Manager	—
G. N. Mobbs	Non-Executive Director	Chairman, Slough Estates plc
H. T. Norrington	Deputy Chief General Manager and Principal Financial Officer	—
Sir Richard Pease Bt	Chairman, Newcastle upon Tyne Local Board	—
The Rt Hon James Prior MP	Non-Executive Director	Chairman, The General Electric Company, p.l.c.
A. J. de N. Rudge	Chairman, Birmingham Local Board	—
R. J. Sale	Deputy Chief General Manager	—
Sir James Spooner	Non-Executive Director	Executive Director, John Swire & Sons Ltd. Chairman, Vantona Viyella plc
C. H. Tidbury	Non-Executive Director	—
A. G. Tritton	Senior Local Director, Lombard Street	—
Sir Anthony Tuke	Non-Executive Director	Chairman, The Savoy Hotel PLC
Sir Douglas Wass GCB	Non-Executive Director	—
J. P. G. Wathen	Non-Executive Director	—
D. V. Weyer	Non-Executive Director	Deputy Chairman, British Telecommunications plc

UNITED KINGDOM TAXATION

The current United Kingdom taxation position in regard to the Notes can be summarised as follows:—

1. The Notes will constitute “quoted Eurobonds” within the terms of Section 35 of the Finance Act 1984, provided they remain in bearer form and continue to be quoted on a recognised stock exchange within the meaning of Section 535 of the Income and Corporation Taxes Act 1970. Accordingly, payments of interest may be made without withholding or deduction for or on account of United Kingdom income tax where:
 - (a) the person by or through whom the payment is made is not in the United Kingdom. By virtue of current Inland Revenue practice, no withholding or deduction for or on account of United Kingdom income tax will be required where the payment of interest is made by an overseas paying agent, notwithstanding that the Bank is resident in the United Kingdom and will itself be the Principal Paying Agent; or
 - (b) the payment is made by or through a person who is in the United Kingdom and
 - (i) it is proved, on a claim in that behalf made to the Commissioners of Inland Revenue, that the person who is the beneficial owner of the Note and entitled to the interest is not resident in the United Kingdom, or
 - (ii) where by virtue of any provision of the United Kingdom Tax Acts the interest is deemed to be income of a person other than the person who is the beneficial owner of the Note, it is proved, on a claim in that behalf made to the Commissioners of Inland Revenue, that such other person is not resident in the United Kingdom, or
 - (iii) the Note and Coupon are held by one and the same person in a “recognised clearing system”. (CEDEL S.A. and Euro-clear have each been designated as a “recognised clearing system” for this purpose.)

In all other cases, interest will be paid under deduction of United Kingdom income tax subject to such relief as may be available under the provisions of any relevant double taxation treaty.

2. A collecting agent in the United Kingdom obtaining payment elsewhere than in the United Kingdom on behalf of a holder of a Note or a Coupon may be required to withhold or deduct for or on account of United Kingdom income tax unless it is proved, on a claim in that behalf made to the Commissioners of Inland Revenue, that the beneficial owner of the Note or Coupon is not resident in the United Kingdom.
3. The interest has a United Kingdom source and, accordingly, will be chargeable to United Kingdom tax by direct assessment even if the interest was paid without withholding or deduction. However, under long-standing Inland Revenue practice as published in extra-statutory concession B13, the interest will not be assessed to United Kingdom tax in the hands of Noteholders who are not residents of the United Kingdom, except where such persons:
 - (a) are chargeable in the name of a branch or agent in the United Kingdom having the management and control of the interest (which will not be the case solely as a result of investment transactions carried out in the United Kingdom on their behalf by an agent providing investment management services if certain conditions are fulfilled); or
 - (b) seek to claim relief in respect of taxed income from United Kingdom sources; or
 - (c) are chargeable to Corporation Tax on the income of a United Kingdom branch or agency to which the interest is attributable.
4. Noteholders should note that the provisions relating to additional payments referred to in “Terms and Conditions of the Notes — Taxation” above would not apply if the Inland Revenue sought to assess the person entitled to the relevant interest directly to United Kingdom tax on interest. However, exemption from or reduction of such United Kingdom tax liability might be available under an appropriate double taxation treaty.
5. The Notes will not constitute “qualifying corporate bonds” within Section 64 of the Finance Act 1984 and disposal of the Notes will, in appropriate circumstances, be subject to United Kingdom taxation of capital gains.
6. Provided that the Notes or Coupons are held at the time of death or gift outside the United Kingdom, no United Kingdom capital transfer tax will be charged on the death of, or a gift of the Notes or Coupons by, a Noteholder or Couponholder not domiciled nor deemed to be domiciled in the United Kingdom. Depending on the precise circumstances, such tax may be charged in respect of Notes or Coupons held inside the United Kingdom at the time of death or gift.

SUBSCRIPTION AND SALE

Under a Subscription Agreement entered into with the Bank on 6th February, 1986 Barclays Merchant Bank Limited, Goldman Sachs International Corp., Salomon Brothers International Limited, Shearson Lehman Brothers International, Inc., S. G. Warburg & Co. Ltd., Algemene Bank Nederland N.V., Bank Leu International Ltd., Bank of Tokyo International Limited, Banque Bruxelles Lambert S.A., Banque Internationale à Luxembourg S.A., Banque Nationale de Paris, Banque Paribas Capital Markets Limited, Chase Manhattan Limited, Citicorp Investment Bank Limited, County Bank Limited, Crédit Commercial de France, Dai-Ichi Kangyo International Limited, Daiwa Europe Limited, Dresdner Bank Aktiengesellschaft, Genossenschaftliche Zentralbank Aktiengesellschaft, Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft, IBJ International Limited, Kidder, Peabody International Limited, Lloyds Merchant Bank Limited, Merrill Lynch International & Co., Mitsui Finance International Limited, Samuel Montagu & Co. Limited, Morgan Grenfell & Co. Limited, Morgan Stanley International, Nederlandsche Middenstandsbank nv, The Nikko Securities Co., (Europe) Ltd., Nomura International Limited, Orion Royal Bank Limited, Société Générale, Standard Chartered Merchant Bank Limited, Sumitomo Finance International, Swiss Bank Corporation International Limited, Swiss Volksbank, Toyo Trust International Limited, Union Bank of Switzerland (Securities) Limited and Yamaichi International (Europe) Limited (the "Managers") have jointly and severally agreed to subscribe or procure subscribers for the Notes at the price of 100 per cent. of their aggregate principal amount for a selling group commission of 0.05 per cent. of such aggregate principal amount (plus United Kingdom value added tax ("VAT") where applicable). The Bank has agreed to pay to the Managers a management and underwriting commission of 0.15 per cent. of the aggregate principal amount of the Notes (plus VAT where applicable) and to reimburse to Barclays Merchant Bank Limited its expenses in connection with the issue of the Notes. The Subscription Agreement is subject to termination in certain circumstances prior to payment to the Bank in respect of the Notes.

The Managers on behalf of the Bank have invited certain banks, brokers and securities dealers (the "Selling Group") to purchase Notes at the price shown above for a selling group commission of 0.05 per cent. of the aggregate principal amount of the Notes (plus VAT where applicable).

The Notes have not been and will not be registered under the Securities Act of 1933, as amended, of the United States (the "Securities Act") and will bear a legend to that effect. The Notes may not, as part of the distribution thereof, be offered, sold or re-sold, directly or indirectly, in the United States or to any U.S. person, except as set out below, and will be delivered only outside the United States. Any offers or sales of Notes in the United States or to U.S. persons will constitute a violation of United States law unless made in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom. None of the Bank and the Managers makes any representation in respect of, or has assumed any responsibility for, the availability of any such exemption and none of the Bank and the Managers makes any representation as to when, if at any time, the Notes may lawfully be sold in the United States or to U.S. persons.

Each Selling Group member, including the Managers, has represented and agreed or will represent and agree that, in connection with the distribution of the Notes, it will not offer, sell or re-sell, directly or indirectly, any Notes in the United States or to U.S. persons (except as set forth below) and that it will not offer, sell or re-sell, directly or indirectly, any Notes, otherwise acquired, in the United States or to U.S. persons prior to the Exchange Date, except in transactions with other Selling Group members or with securities dealers who have agreed to comply with these provisions.

Notwithstanding the foregoing, with the prior written consent of Barclays Merchant Bank Limited, the Bank may arrange for the private sale of a portion of the Notes to branches located outside the United States of United States banks ("U.S. bank branches") provided that each such purchaser (i) agrees to purchase Notes in an aggregate principal amount of not less than \$250,000 and represents that it is acquiring the Notes for its own account for investment and not with a view to any re-sale, distribution or other disposition thereof, (ii) agrees that in the event that at some future time it shall dispose of any such Notes (such disposition not being then foreseen or contemplated) it will not offer or sell directly or indirectly any of such Notes in the United States or to any U.S. person or to others for offering or re-sale in the United States or to any U.S. person (except that, with the prior written approval of Barclays Merchant Bank Limited, it may sell not less than \$250,000 in principal amount of such Notes to a U.S. bank branch which has agreed as set forth in this sentence), (iii) represents and agrees that it is a financial institution which will comply with Section 165 (j)(3)(A), (B) or (C) of the United States Internal Revenue Code and the regulations thereunder, and (iv) acknowledges that, in connection with the original issuance of the Notes, the Notes will be released in definitive form only upon presentation of a certificate of such U.S. bank branch to the Bank, a Manager or a Selling Group member to the same effect as in (iii) above.

Each Selling Group member, including the Managers, has further represented and agreed or will represent and agree that it will deliver Notes only outside the United States and will deliver to dealers who are purchasers of Notes from it as part of the distribution a written confirmation setting out the restrictions imposed with respect to offers and sales of the Notes in the United States and to U.S. persons or, in the case of U.S. bank branches, a written confirmation that such purchasers will comply with the provisions of the United States Internal Revenue Code referred to in the preceding paragraph.

As used herein, "United States" means the United States of America, its possessions, its territories and all areas subject to its jurisdiction; and "U.S. person" means any person who is a citizen or resident of the United States, including any corporation, partnership or other entity organised in or under the laws of the United States or any political sub-division thereof or any estate or trust which is subject to United States federal income taxation regardless of the source of its income.

GENERAL INFORMATION

The listing of the Notes on The Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that listing of the Notes on The Stock Exchange will be granted on 12th February, 1986 subject only to the issue of the temporary Global Note. If the temporary Global Note is not issued as mentioned in this document, the issue of the Notes may be cancelled. Prior to official listing, however, dealings in Notes will be permitted by the Council of The Stock Exchange in accordance with its rules. Transactions will normally be effected for settlement in dollars and for delivery on the fifth working day after the date of the transaction.

The Notes have been accepted for clearance through CEDEL S.A. (reference number 196126) and Euro-clear (reference number 15967). Pending delivery of Notes in definitive form, a record of transactions in the Notes will be kept by CEDEL S.A. and/or Euro-clear.

All Notes and Coupons 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 holders, with certain exceptions, may not be entitled to deduct any loss on Notes and may not be entitled to capital gains treatment of any gain on any sale, disposition or payment of principal of Notes.

There are no legal or arbitration proceedings pending or, so far as the Bank is aware, threatened against the Bank or any subsidiary of the Bank which may have, or have had during the period of 12 months ending on the date of this document, a significant effect on the financial position of the Group taken as a whole.

Since 31st December, 1984, there has been no significant change, save as disclosed herein, in the financial or trading position of the Group taken as a whole, nor has there been any material adverse change in the prospects or financial position of the Bank.

The annual accounts of the Bank for each of the three years ended 31st December, 1984 have been audited by Price Waterhouse, Chartered Accountants, Southwark Towers, 32 London Bridge Street, London SE1 9SY and Deloitte Haskins & Sells, Chartered Accountants, P.O. Box 207, 128 Queen Victoria Street, London EC4P 4JX. At the Annual General Meeting of the Bank on 4th April, 1985 Price Waterhouse were appointed as sole auditors of the Bank.

No repayment of the Notes for taxation reasons and no optional repayment of the Notes will be made by the Bank without the prior consent of the Bank of England.

Mr. D. R. Pelly, Mr. A. R. F. Buxton, Lord Ashton of Hyde, Lord Camoys, Sir Christophor Laidlaw, Mr. P. E. Leslie and Sir James Spooner, who are Directors of the Bank, are also Directors of Barclays Merchant Bank Limited, a wholly-owned subsidiary of the Bank. Mr. H. U. A. Lambert, who is a Director of the Bank, is also the Chairman of Sun Alliance and London Insurance plc, the parent company of the Trustee.

Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at the offices of Durrant Piesse, 73 Cheapside, London EC2V 6ER for a period of 14 days from the date hereof:—

- (i) the Memorandum and Articles of Association of the Bank;
- (ii) the published Report and Accounts of the Bank for the years ended 31st December, 1983 and 31st December, 1984 together with the unaudited interim report of Barclays and its subsidiaries for the half year ended 30th June, 1985;
- (iii) the Subscription Agreement referred to above;
- (iv) the principal Trust Deed dated 2nd July, 1985 constituting the Series 1 Notes together with a draft, subject to amendment, of the First Supplemental Trust Deed referred to under "Terms and Conditions of the Notes" above to constitute the Notes, including the forms of Note, Coupon and talon referred to therein; and
- (v) drafts, subject to amendment, of the Agent Bank Agreement and the Paying Agency Agreement referred to under "Terms and Conditions of the Notes" above.

**SECRETARY AND REGISTERED
OFFICE OF THE BANK**

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London EC3P 3AH

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Chartered Accountants
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To the Trustee
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Switzerland

CEDEL S.A.
Reference No.
196126

Euro-clear
Reference No.
15967

6th February, 1986

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