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# BARCLAYS

## Barclays Bank PLC

(incorporated with limited liability in England)

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€ 850,000,000

### 7.50% Step-up Callable Perpetual Reserve Capital Instruments

Issue Price: 99.146 per cent

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The € 850,000,000 7.50% Step-up Callable Perpetual Reserve Capital Instruments (the “RCIs”) of Barclays Bank PLC (the “Bank” and the “Issuer”) will bear interest from (and including) 3 May 2000 to (but excluding) 15 December 2010 at a rate of 7.50 per cent. per annum, payable annually in arrear on 15 December in each year starting 15 December 2000. Thereafter, the RCIs will bear interest at a rate, reset quarterly, of 2.95 per cent. per annum above the Euro-zone interbank offered rate for three month euro deposits, payable quarterly in arrear on 15 March, 15 June, 15 September and 15 December in each year, all as more particularly described in “Terms and Conditions of the RCIs—5. Coupon Payments”. Coupon Payments (as defined herein), may be deferred as described in “Terms and Conditions of the RCIs—4. Deferrals”, but the Bank and Barclays PLC may not declare or pay dividends (other than intra-group dividends) on shares whilst any payments are deferred.

The RCIs are redeemable on 15 December 2010 or on each Coupon Payment Date (as defined herein) thereafter. In addition, upon the occurrence of certain tax or regulatory events, the RCIs may 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 RCIs may be redeemed on any Coupon Payment Date, as more particularly described in “Terms and Conditions of the RCIs—7. Exchange, Variation, Redemption and Purchase”.

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

The RCIs will be unsecured securities of the Bank and will be subordinated to the claims of Senior Creditors (as defined herein). No payment of principal or interest in respect of the RCIs may be made unless the Bank is able to make such payment and remain solvent immediately thereafter. In the event of the winding-up in England of the Bank, the RCI Holders (as defined herein) will, for the purpose only of calculating the amounts payable in respect of each RCI, be treated as if they were the holders of preference shares ranking *pari passu* with the holders of that class or classes of preference shares (if any) from time to time issued by the Bank which have a preferential right to a return of assets in the winding-up over and so rank ahead of the holders of all other classes of the Bank’s issued shares on the day immediately prior to the commencement of the winding-up. See “Terms and Conditions of the RCIs — 3. Winding-up”.

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

Application has been made to London Stock Exchange Limited (the “London Stock Exchange”) for the RCIs to be admitted to the Official List. A copy of this document, which comprises the listing particulars required by section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration as required by section 149 of that Act.

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## Barclays Capital

BNP Paribas Group

Morgan Stanley  
Dean Witter

Salomon Smith  
Barney International

26 April 2000

The Bank accepts responsibility 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.

In connection with the issue and sale of the RCIs, no person is authorised to give any information or to make any representation not contained in this document and neither the Bank 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 RCIs.

The distribution of this document and the offering or sale of the RCIs 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 RCIs in the United States or to US persons.

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

In this document all references to “£” are to pounds sterling, to “US dollars” and “US\$” are to United States dollars, to “¥” and “Yen” are to Japanese yen, to “€” and “euros” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Communities, 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.

## TABLE OF CONTENTS

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	Page
Summary .....	3
Investment Considerations .....	6
Terms and Conditions of the RCIs .....	7
Use of Proceeds.....	22
Summary of Provisions Relating to the RCIs while in Global Form .....	23
The Bank and the Group .....	25
United Kingdom Taxation .....	32
Subscription and Sale .....	36
General Information.....	37

## SUMMARY

*The following summary refers to certain provisions of the Terms and Conditions of the RCIs and the Trust Deed and insofar as it refers to the Terms and Conditions of the RCIs 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 RCIs".*

<b>Issuer</b>	Barclays Bank PLC.
<b>Holding Company</b>	Barclays PLC.
<b>Trustee</b>	Royal & Sun Alliance Trust (Jersey) Limited.
<b>Issue size</b>	€ 850,000,000.
<b>Redemption</b>	The RCIs are perpetual securities and have no maturity date. However, the RCIs are redeemable in whole but not in part at the option of the Bank, subject to the prior approval of the FSA and to the Auditors of the Bank 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 15 December 2010 or any Coupon Payment Date thereafter.
<b>Interest</b>	The RCIs bear interest at a rate of 7.50 per cent. per annum to (but excluding) 15 December 2010 and thereafter at three month EURIBOR plus 2.95 per cent. per annum, reset quarterly.
<b>Coupon Payment Dates</b>	Subject as described below, Coupon Payments will be payable on 15 December in each year from (and including) 15 December 2000 to (and including) 15 December 2010, and thereafter, subject to adjustment for non-business days, on 15 March, 15 June, 15 September and 15 December in each year.
<b>Subordination</b>	The rights and claims of the RCI Holders and the Couponholders are subordinated to the claims of Senior Creditors. Upon any winding-up of the Bank, the holder of each RCI will rank <i>pari passu</i> with the holders of the most senior class or classes of preference shares (if any) of the Bank then in issue and in priority to all other Bank shareholders.
<b>Exceptional deferral of payments</b>	If the Bank determines that it is, or payment of a Coupon Payment will result in the Bank being, in non-compliance with applicable Capital Regulations, the Bank may, subject to the dividend restriction described below, elect to defer a payment (other than principal). Such exceptionally deferred payment may be satisfied at any time by the Bank giving not less than 16 business days notice of such satisfaction, but it must, unless the Bank elects to defer such payment pursuant to its general right to defer referred to below, be satisfied on the Coupon Payment Date next following the 19th business day after the Bank determines that it no longer is, and payment of a Coupon Payment will not result in it being, in non-compliance with such applicable Capital Regulations. Exceptionally Deferred Coupon Payments will not accrue interest on the deferred payments.
<b>General deferral of payments</b>	Subject to the dividend restriction described below, the Issuer may elect to defer any payment (other than principal) on the RCIs for any period of time. However, the deferred payment will bear interest at 2 per cent. per annum above the then current rate of interest on the RCIs.
<b>Dividend restriction during period of deferral</b>	If the Bank defers a payment for any reason as described above then, while any payment is so deferred, neither the Bank nor the Holding Company may declare or pay a dividend on any of their shares (other than a dividend paid by the Bank to the Holding Company or another wholly-owned Subsidiary).

<b>Alternative coupon satisfaction mechanism</b>	Investors will always receive payments made in respect of RCIs in cash. However, if the Bank defers a payment it must, or if and to the extent the Bank so elects at any time it may, satisfy its obligation to make any payment (other than principal) to RCI Holders by issuing its ordinary shares to the Trustee or its agent. In such event, the Trustee or its agent will exchange such ordinary shares for ordinary shares in the Holding Company which, when sold (with the proceeds of such sale being converted into euro) will provide a cash amount which the Trustee or its agent will pay to the RCI Holders in respect of the relevant payment. The Calculation Agent will calculate in advance the number of ordinary shares in the Holding Company to be issued in order to enable the Trustee or its agent to raise the full amount of money due on the relevant payment date to RCI Holders. The Trustee has, in the Trust Deed, the benefit of an indemnity from the Bank against any shortfall arising on sale of such shares or conversion of the proceeds into euro and the Trustee will pay an amount equal to any such shortfall to the RCI Holders subject to its being funded by the Bank to make such payment pursuant to the Bank's indemnity.
<b>Insufficiency</b>	Each of the Bank and the Holding Company is required to keep available for issue enough shares as it reasonably considers would be required to satisfy from time to time the next year's Coupon Payment or Payments using the alternative coupon satisfaction mechanism described above.
<b>Market Disruption Event</b>	If, in the opinion of the Bank, a Market Disruption Event exists on or after the 15th business day preceding any date upon which the Bank is due to satisfy a payment using the alternative coupon satisfaction mechanism, the payment to RCI Holders may be deferred until the Market Disruption Event no longer exists.
<b>Suspension</b>	If, following any takeover offer or any reorganisation, restructuring or scheme of arrangement, Barclays PLC (or any successor ultimate holding company of the Bank) ceases to be the Bank's ultimate holding company, any changes to the documentation relating to the RCIs determined by an independent investment bank to be appropriate will be made by the Issuer and the Trustee and pending such changes the Bank will be unable to settle 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, the RCIs will (subject to the prior consent of the Financial Services Authority) be redeemed at the Suspension Redemption Price.
<b>Additional amounts</b>	The Bank will pay additional amounts to RCI Holders to gross up Coupon Payments upon the imposition of UK withholding tax, subject to customary exceptions.
<b>Exchange, variation or redemption for taxation reasons</b>	Upon the occurrence of certain changes in the treatment of the RCIs for taxation purposes, the Bank may, subject to the prior consent of the FSA, exchange the RCIs for, or vary the terms of the RCIs 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 Bank have reported to the Trustee within the previous six months that the Solvency Condition is met, redeem all, but not some only, of the RCIs at their principal amount together with accrued interest and all other amounts outstanding thereon.

<b>Exchange, variation or redemption for regulatory reasons</b>	The RCIs will constitute Tier 1 Capital for the purposes of the FSA's capital adequacy regulation of the Bank. If at any time the RCIs cease to constitute Tier 1 Capital, the Bank may, subject to the prior consent of the FSA, exchange the RCIs for, or vary the terms of the RCIs so that they become, Upper Tier 2 Securities or, if such exchanged or varied securities do or would not constitute Upper Tier 2 Capital of the Bank and provided the Auditors of the Bank have reported to the Trustee within the previous six months that the Solvency Condition is met, redeem all, but not some only, of the RCIs at their principal amount together with accrued interest and all other amounts outstanding thereon.
<b>Remedy for non-payment</b>	The sole remedy against the Bank available to the Trustee or any RCI Holder for recovery of amounts owing in respect of the RCIs will be the institution of proceedings for the winding-up of the Bank and/or proving in such winding-up.
<b>Form</b>	Bearer. The RCIs will be represented initially by the Temporary Global RCI, which will be deposited outside the United States with a common depositary for Clearstream, Luxembourg and Euroclear on or about 3 May 2000. The Temporary Global RCI will be exchangeable for interests in the Permanent Global RCI on or after a date which is expected to be 12 June 2000 upon certification as to non-US beneficial ownership as required by US Treasury regulations and as described in the Temporary Global RCI. Save in limited circumstances, RCIs in definitive bearer form with coupons and a talon attached on issue will not be issued in exchange for interests in the Permanent Global RCI.
<b>Listing</b>	London.
<b>Governing law</b>	English.

## INVESTMENT CONSIDERATIONS

*Prospective investors should carefully consider the following information in conjunction with the other information contained in this document.*

### **Deferral**

The Issuer may elect to defer any payment (other than principal) on the RCIs for any period of time, as more particularly described in “Terms and Conditions of the RCIs—4. Deferrals”. Any such deferred payment will, unless it is an exceptional deferral as described under—“4(a) Exceptional Deferral of Coupon Payments”—bear interest at 2 per cent. above the rate applicable to the RCIs and during the period of such deferral neither the Bank nor the Holding Company may declare or pay a dividend (other than a dividend paid by the Bank to the Holding Company or another wholly-owned Subsidiary) on any of its ordinary shares or preference shares.

### **Perpetual securities**

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

### **Redemption risk**

Upon the occurrence of certain specified tax and regulatory events, the RCIs may be exchanged or their terms varied so that they become Upper Tier 2 Securities or, if such specified tax and regulatory event applies or would apply to the Upper Tier 2 Securities, the RCIs may be redeemed at their principal amount.

### **No limitation on issuing further debt**

There is no restriction on the amount of debt which the Bank may issue which ranks senior to the RCIs or on the amount of securities which the Bank may issue which ranks *pari passu* with the RCIs. The issue of any such further debt or securities may reduce the amount recoverable by RCI Holders on a winding-up of the Bank or may increase the likelihood of a deferral of Coupon Payments under the RCIs.

### **Availability of shares**

If the Bank is to make a payment using the alternative coupon payment mechanism and insufficient ordinary shares in the Bank or the Holding Company are available, then the Bank’s payment obligation shall be suspended to the extent of such insufficiency and, except in the case of Exceptionally Deferred Coupon Payments, shall bear interest at 2 per cent. above the rate applicable to the RCIs, until such time as sufficient shares are available, as more particularly described in “Terms and Conditions of the RCIs—6. Alternative Coupon Satisfaction Mechanism—(d) Insufficiency”.

### **Market Disruption Event**

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

### **Restricted remedy for non-payment**

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

### **Absence of prior public markets**

The RCIs constitute a new issue of securities. Prior to this issue, there will have been no public market for the RCIs. Although application has been made for the RCIs to be listed on the London Stock Exchange, there can be no assurance that an active public market for the RCIs will develop and, if such a market were to develop, the Managers are under no obligation to maintain such a market. The liquidity and the market prices for the RCIs can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Bank and other factors that generally influence the market prices of securities.

## TERMS AND CONDITIONS OF THE RCIs

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

The RCIs are constituted by the Trust Deed. The issue of the RCIs was authorised pursuant to a resolution of a committee of the Board of Directors of the Issuer passed on 19 April 2000. 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 RCI Holders and the Couponholders at the principal office of the Trustee, being at the date hereof at Victoria Chambers, Liberation Square, 1-3 The Esplanade, St. Helier, Jersey JE2 3QA, and at the specified office of each of the Paying Agents. The RCI Holders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Agency Agreement and the Calculation Agency Agreement applicable to them.

### 1. Form, Denomination and Title

#### (a) Form and Denomination

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

#### (b) Title

Title to the RCIs, Coupons and Talons will pass by delivery. The bearer of any RCI will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or its theft or loss or anything written on it) and no person will be liable for so treating the RCI Holder.

### 2. Status and Subordination

#### (a) Status

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

#### (b) Subordination

- (i) *Condition of Payment:* The rights and claims of the RCI Holders and the Couponholders are subordinated to the claims of Senior Creditors, in that payments in respect of the RCIs (including the issue of Issuer Shares in accordance with Condition 6) are conditional upon the Issuer being solvent at the time of payment by the Issuer and in that no principal or Payments shall be due and payable in respect of the RCIs (including the issue of Issuer Shares in accordance with Condition 6) except to the extent that the Issuer could make such payment 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) *Winding-Up 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 ("**Winding-Up Claims**") will be payable by the Issuer in a winding-up of the Issuer as provided in Condition 3 and on any redemption pursuant to Condition 7(b), 7(c) or 7(d). A Winding-Up Claim shall not bear interest.
- (iii) *Set-off:* Subject to applicable law, no RCI Holder or Couponholder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the RCIs and each RCI Holder and Couponholder shall, by virtue of his subscription, purchase or holding of any RCI or Coupon, be deemed to have waived all such rights of set-off.

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 RCIs 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 for the purposes of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee), there shall be payable by the Issuer in respect of each RCI and Coupon (in lieu of any other payment by the Issuer), subject as provided in Condition 2(b), such amount, if any, as would have been payable to the holder of such RCI and Coupon if, on the day prior to the commencement of the winding-up and thereafter, such RCI Holder were the holder of one of a class of preference shares in the capital of the Issuer having an equal right to a return of assets in the winding-up to and so ranking *pari passu* 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 RCI Holder was entitled to receive in respect of such preference shares, on a return of assets in such winding-up, were an amount equal to the principal amount of the relevant RCI together with its pro-rata share of any Winding-Up Claims and any other Payments which are Outstanding.

### 4. Deferrals

The Issuer must make each Coupon Payment on the relevant Coupon Payment Date subject to and in accordance with these Terms and Conditions. However, the Issuer may defer a Coupon Payment and any other Payment in the following circumstances.

#### (a) *Exceptional Deferral of Coupon Payments*

- (i) If on the 20th business day preceding the date on which any Payment would, in the absence of deferral in accordance with this Condition 4, be due and payable, the Exceptional Deferral Condition is satisfied, any such Payment may be deferred by the Issuer giving notice to the Trustee, the RCI Holders, the Principal Paying Agent and the Calculation Agent not less than 16 business days prior to such date. The Issuer shall then make such Payment on the Coupon Payment Date next following the 19th business day after the Exceptional Deferral Condition fails to be satisfied unless it elects to make such Payment earlier by delivering a notice to the Trustee, the RCI Holders, the Principal Paying Agent and the Calculation Agent not less than 16 business days prior to the relevant Exceptionally Deferred Coupon Payment Date or it elects to defer such Payment under Condition 4(b).
- (ii) If any Payment is deferred pursuant to this Condition 4(a) then (1) neither the Issuer nor the Holding Company may declare or pay a dividend (other than a dividend paid by the Issuer to the Holding Company or to another wholly-owned Subsidiary) on any ordinary share or preference share of the Issuer or the Holding Company respectively from the date of the first-mentioned notice in Condition 4(a)(i) until such time as that Exceptionally Deferred Coupon Payment is satisfied; and (2) no amount will be payable by way of interest on any such deferred Payment, save as provided in Condition 6(e). Any such deferred Payment shall be satisfied only in accordance with Condition 6.

#### (b) *Election to defer Coupon Payment*

- (i) The Issuer may in respect of any Payment which would, in the absence of deferral in accordance with this Condition 4, be due and payable, by giving a notice to the Trustee, the Principal Paying Agent, the Calculation Agent and the RCI Holders not less than 16 business days prior to the relevant due date, defer such Payment. The Issuer may then make any such Payment at any time pursuant to Condition 6 (and only pursuant to Condition 6) upon delivery of a notice to the Trustee, the Principal Paying Agent and the Calculation Agent not less than 16 business days prior to the relevant Coupon Satisfaction Date.
- (ii) If the Issuer has given such first-mentioned notice then: (1) neither the Issuer nor the Holding Company may declare or pay a dividend (other than a dividend paid by the Issuer to the Holding Company or to another wholly-owned Subsidiary) on any ordinary share or preference share of the Issuer or the Holding Company respectively from the date of such notice until such time as that



Deferred Coupon Payment (and any other Deferred Coupon Payment or Accrued Coupon Payment) is satisfied; and (2) each Payment which the Issuer defers pursuant to the giving of such a notice shall bear interest at a rate equal to the aggregate of the rate determined in accordance with Condition 5(b) and 2 per cent. per annum from (and including) the date of deferral of such Payment pursuant to this Condition 4(b) to (but excluding) the relevant Coupon Satisfaction Date.

## **5. Coupon Payments**

### *(a) Coupon Payment Dates*

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

### *(b) Coupon Rate*

- (i) The Coupon Rate in respect of the period from (and including) the Issue Date to (but excluding) the First Reset Date is 7.50 per cent. per annum.
- (ii) The Coupon Rate in respect of each period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date shall be the aggregate of 2.95 per cent. per annum and:
  - (aa) the offered rate (rounded, if necessary, up to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) for three-month euro deposits as at 11.00 a.m. (Brussels time) on the Coupon Determination Date in question as appears on the display designated as page “248” on the Bridge/Telerate Monitor (or such other page or service as may replace it for the purpose of displaying such information) as determined by the Calculation 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 prime banks in the Euro-zone interbank market for three-month euro deposits as at 11.00 a.m. (Brussels time) on the Coupon Determination Date in question obtained by the Calculation Agent from the principal Euro-zone office of the Reference Banks, provided at least two of the Reference Banks provide the Calculation 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 Calculation 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 euro lending rates which major banks in the Euro-zone selected by the Calculation Agent are quoting at approximately 11.00 a.m. (Brussels time) on the relevant Coupon Determination Date to leading European banks for a period of three months,except that, if the banks so selected by the Calculation Agent under sub-paragraph (cc) above are not quoting as mentioned above, the Coupon Rate shall be either (i) the Coupon Rate in effect for the last preceding Coupon Period to which one of the preceding sub-paragraphs of this paragraph shall have applied or (ii) if none, 8.50 per cent. per annum.

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

The Calculation Agent will, upon determining the Coupon Rate pursuant to Condition 5(b)(ii), calculate the Coupon Amount and cause the Coupon Rate and the Coupon Amount to be notified to the Trustee, the Issuer, the Principal Paying Agent and the London Stock Exchange and to be notified to the RCI Holders as soon as possible after their determination but in no event later than the fourth business day thereafter.

The Coupon Amount in respect of any Coupon Period ending prior to the First Reset Date shall be calculated by applying the Coupon Rate to the principal amount of each RCI and, in respect of any period of less than one year, such resulting amount shall be multiplied by the Day Count Fraction.

The Coupon Amount in respect of any Coupon Period commencing on or after the First Reset Date shall be calculated by applying the Coupon Rate to the principal amount of each RCI and multiplying the result by the Day Count Fraction.

*(d) Determination or Calculation by Trustee*

If the Calculation Agent does not at any time for any reason so determine the Coupon Rate or the Coupon Amount in accordance with Condition 5(b)(ii), the Trustee shall do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances. 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 RCI Holders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the RCI Holders or the Couponholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

*(e) Reference Banks*

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 Euro-zone interbank market (each acting through its principal Euro-zone office) to act as Reference Banks and will procure that, so long as any RCI is outstanding, there shall thereafter at all times be four Reference Banks. If any such institution (acting through its relevant office) is unable or unwilling 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 Euro-zone interbank market (acting through its principal Euro-zone office) to act as such in its place.

## **6. Alternative Coupon Satisfaction Mechanism**

*(a) Alternative Coupon Satisfaction Mechanism*

The Issuer may elect to satisfy any Payment in full or in part through the issue of Issuer Shares to the Trustee in accordance with this Condition 6, in which case it shall notify the Holding Company, the Trustee, the Principal Paying Agent and the Calculation Agent not less than 16 business days prior to the relevant Coupon Payment Date. In the absence of or save to the extent of such election and issue, subject to Conditions 4(a) and 4(b), payments must be satisfied in accordance with Condition 8(a), provided that if an Exceptional Deferral Condition is satisfied the prior consent of the Financial Services Authority is obtained to such payments.

*(b) Issue of shares*

If any Payment is to be satisfied in full or in part through the issue of Issuer Shares to the Trustee then, subject to Conditions 6(d) and 6(e), by close of business on or before the 6th business day prior to the relevant Coupon Payment Date, Coupon Satisfaction Date or Exceptionally Deferred Coupon Payment Date:

- (i) 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 or instruct its agent 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 euro at prevailing market exchange rates and deliver such exchanged proceeds to, or hold such exchanged proceeds to the order of, the Trustee who shall apply such proceeds in respect of the relevant Payment on its due date.

*(c) Issue satisfies payment*

Where the Issuer either elects or is required to make a Payment hereunder by issuing Issuer Shares to the Trustee and issues such shares, 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 Ordinary Shares resulting from the mandatory exchange of Issuer Shares in accordance with this Condition 6 shall be paid by the Trustee or its agent to the RCI Holders in respect of the relevant payment.

*(d) Insufficiency*

If the Issuer is to satisfy all or part of a Payment in accordance with this Condition 6 and either the Issuer or the Holding Company does not, on the date when the number of such shares required to be issued is determined in accordance with this Condition 6, have sufficient number of, respectively, Issuer Shares or Ordinary Shares available for issue, then the Issuer or, as the case may be, the Holding Company shall notify the Issuer or the Holding Company, as the case may be, and the Trustee, the Principal Paying Agent, the Calculation Agent and the RCI Holders that all or part, as the case may be, of the relevant Payment cannot be so satisfied due to the events described in this paragraph, in which case the same shall be satisfied following the date of the next annual general meeting or extraordinary general meeting of shareholders of the Issuer or, as the case may be, the Holding Company at which a resolution is passed making a sufficient number of Issuer Shares or Ordinary Shares so available to satisfy such part of the relevant Payment and no issue or transfer of shares shall be made under Condition 6(b) in respect of such part of the relevant Payment until a sufficient number of Issuer Shares and Ordinary Shares is so available. Following the passage of such a resolution, the Issuer shall notify the Trustee, the Principal Paying Agent, the Calculation Agent and the RCI Holders of the date upon which the relevant Payment or, as the case may be, the part thereof is to be made in accordance herewith on not less than 16 business days' notice. The relevant Payment or, as the case may be, the part thereof which is not so satisfied shall, unless it is an Exceptionally Deferred Coupon Payment, continue to accrue interest at a rate determined in accordance with Condition 4(b)(ii) from (and including) the date on which Payment would otherwise have been due to (but excluding) the date on which such Payment is satisfied. If, in the case of an insufficiency of Issuer Shares, the Issuer does not hold an annual or extraordinary general meeting at which a resolution to make a sufficient number of Issuer Shares so available is passed within 6 weeks of giving the above first-mentioned notice, the Trustee shall by notice require the Issuer to convene an extraordinary general meeting at which such a resolution shall be proposed on a date falling within 4 weeks of such notice from the Trustee. If, in the case of an insufficiency of Ordinary Shares, the Holding Company does not hold an annual general meeting within 6 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 the Holding Company may not declare or pay a dividend on any ordinary share or preference share of the Holding Company until such time as such resolution has been passed by the shareholders of the relevant company.

*(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 a payment in accordance with this Condition 6, then the Issuer may give a notice to the Trustee, the Principal Paying Agent, the Calculation Agent and the RCI Holders as soon as possible after the Market Disruption Event has arisen or occurred, whereupon the relevant payment may be deferred until such time as the Market Disruption Event no longer exists.

Any such deferred payment (together with any other payments that are Outstanding) will be satisfied as soon as practicable following such time as the Market Disruption Event no longer exists. Interest shall not accrue on such deferred payment unless, as a consequence of the existence of a Market Disruption Event, the Issuer does not make the relevant payment for a period of 14 days or more after the due date therefor, in which case interest shall accrue on such deferred payment from (and including) the date on which the relevant payment was due to be made to (but excluding) the date on which such payment is made. Any such interest shall accrue at a rate determined in accordance with Condition 5 and shall be satisfied only in accordance with Condition 6, as soon as reasonably practicable after the relevant deferred payment is made. No liability shall attach to the Trustee or its 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 RCIs are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Conditions 2 and 3 and without prejudice to the provisions of Condition 12) only have the right to repay them in accordance with the following provisions of this Condition 7 or in the circumstances provided for in Condition 8(d).

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

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

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

### **(c) *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 RCIs including, for the avoidance of doubt, the issue of Issuer Shares pursuant to Condition 6, may be treated as "distributions" within the meaning of Section 832(1) of the Income and Corporation Taxes Act 1988 (or such other Section and/or Act as may from time to time supersede or replace Section 832(1) of the Income and Corporation Taxes Act 1988 for the purposes of such definition) and such requirement or circumstance cannot be avoided by the Issuer taking such measures as it (acting in good faith) deems appropriate; or
- (iii) as a result of any change in, or 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 RCIs, which change or amendment becomes effective, or in the case of a change in law if such change is enacted by Act of Parliament or made by Statutory Instrument, on or after 26 April 2000, there is more than an insubstantial risk that the Issuer will not obtain relief for the purposes of United Kingdom corporation tax for any payment of interest including, for the avoidance of doubt, the issue of Issuer Shares pursuant to Condition 6 in respect of the RCIs, or as a result of the RCIs being in issue, the Issuer may be unable to claim or surrender losses as group relief and such requirement or circumstance cannot be avoided by the Issuer taking such measures as it (acting in good faith) deems appropriate,

then the Issuer may (subject to the prior consent of the Financial Services Authority), having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the RCI Holders (which notice shall be irrevocable) exchange the RCIs for, or vary the terms of the RCIs 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 (i) to (iii) above apply or continue to apply to Upper Tier 2 Securities for or into which the RCIs 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, the Issuer may, provided that the Auditors of the Issuer have reported to the Trustee within the previous six months that the Solvency Condition is met, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the RCI Holders (which notice shall be irrevocable) redeem in accordance with these Terms and Conditions, all, but not some only, of the RCIs 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 RCIs for or into Upper Tier 2 Securities. 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 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 RCI Holders. Upon expiry of such notice the Issuer shall either redeem, vary or exchange the RCIs, 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 RCIs no longer qualify as Tier 1 regulatory capital for banking capital adequacy purposes then the Issuer may (subject to the prior consent of the Financial Services Authority), having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the RCI Holders (which notice shall be irrevocable) exchange the RCIs for or vary the terms of the RCIs 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 RCIs, as so exchanged or varied for or into Upper Tier 2 Securities, do not (or would not, if so exchanged or varied) qualify as Upper Tier 2 regulatory capital for banking capital adequacy purposes, the Issuer may, provided that the Auditors of the Issuer have reported to the Trustee within the previous six months that the Solvency Condition is met, having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 16, the RCI Holders (which notice shall be irrevocable) redeem, in accordance with these Terms and Conditions, all, but not some only, of the RCIs at their principal amount together with any Outstanding Payments on any Coupon Payment Date. The Trustee shall use its reasonable endeavours to assist the Issuer in the exchange or variation of the RCIs for or into Upper Tier 2 Securities. Upon the expiry of such notice the Issuer shall either redeem, vary or exchange the RCIs, 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 of the Issuer have reported to the Trustee within the previous six months that the Solvency Condition is met) at any time purchase RCIs in any manner and at any price. In each case purchases will be made together with all unmatured Coupons and Talons (if any) appertaining thereto.

(f) *Cancellation*

All RCIs so redeemed or purchased by the Issuer and any unmatured Coupons and Talons (if any) appertaining thereto, save for any such RCIs, Coupons and Talons 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 RCIs will be made by or on behalf of the Issuer against presentation and surrender of RCIs or the appropriate Coupons (as the case may be) at the specified office of any of the Paying Agents (subject to sub-paragraph (iv) below). Such payments will be made, at the option of the payee by euro cheque drawn on, or by transfer to a euro account maintained by the payee with, a bank in the Euro-zone.
- (ii) Upon the due date for redemption of any RCI, any unexchanged Talon relating to such RCI (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon and unmatured Coupons relating to such RCI (whether or not attached) shall also become void and no payment shall be made in respect of them. If any RCI is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (iii) On or after the Coupon Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any RCI, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 12).
- (iv) The 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 RCIs are listed on the London Stock Exchange, a Paying Agent having a specified office in London. Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the RCI Holders in accordance with Condition 16.

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

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

### (c) *Payments on Payment Business Days*

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

### (d) *Suspension*

If, following any takeover offer made under the City Code on Takeovers and Mergers or any reorganisation, restructuring or scheme of arrangement, the Holding Company or any subsequent New Owner (as defined below) ceases to be the ultimate holding company of the Barclays group of companies, then the Issuer shall as soon as practicable give notice to the Trustee, the Calculation Agent and the RCI Holders, whereupon the Issuer's right 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 requirement that the Issuer shall not be obliged to reduce its net assets, what amendments (if any) to these Terms and Conditions, the Trust Deed and any other relevant documents are appropriate in order to preserve substantially the economic effect, for the RCI Holders, of a holding of the RCIs prior to the Suspension. Upon any such determination being reached and notified to the Trustee and the Issuer by such investment bank, the Trustee and the Issuer shall, pursuant to the terms of the Trust Deed and without the consent of the RCI Holders or Couponholders, effect any necessary consequential changes to these Terms and Conditions and the Trust Deed and any other relevant documents, whereupon the Issuer's right to satisfy a Payment by the method contemplated in Condition 6 shall no longer be subject to the Suspension.

If, after using all reasonable endeavours, such investment bank is unable to formulate such amendments, it shall so notify the Issuer, the Holding Company, the New Owner, the Trustee, the Principal Paying Agent and the Calculation Agent and each RCI shall (subject to the prior consent of the Financial Services Authority) be redeemed by the Issuer, following notice to the RCI Holders by the Issuer of such redemption as soon as practicable after receipt of the consent of the Financial Services Authority, at the Suspension Redemption Price, together with any Outstanding Payments which have not otherwise been satisfied in accordance with these Terms and Conditions, not later than the 60th business day following the giving of such notice by the Issuer to the RCI Holders. Such redemption will, unless otherwise agreed by the Issuer and the Trustee, be effected through the issue of shares of the Issuer in accordance, *mutatis mutandis*, with Condition 6 (with references to the Payment Ordinary Shares being construed as references to any class of shares of the New Owner or any other member of the Barclays group of companies which, when sold, provide a net cash amount (converted into euro 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, free from pre-emption or other rights, such number of Issuer Shares as it reasonably considers would be required to be issued in order to satisfy the amount of the next Coupon Payment (or, after the First Reset Date, the next four Coupon Payments).

The Holding Company shall, 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 connection with the next Coupon Payment (or, after the First Reset Date, the next four Coupon Payments).

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

## **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. Payments of principal and Coupon Amounts will not be due if the Solvency Condition is not satisfied, if the Issuer would not otherwise be solvent or, in the case of any Coupon Payment, if the Issuer has elected to defer that Coupon Payment pursuant to Condition 4(a) or 4(b) or if the circumstances referred to in any of Conditions 6(d), 6(e) or 8(d) then apply.*

- (a) If the Issuer shall not make payment in respect of the RCIs (in the case of payment of principal) for a period of 7 days or more after the due date for the same or (in the case of any Coupon Payment, Deferred Coupon Payment, Exceptionally Deferred Coupon Payment or Accrued Coupon Payment) shall not make payment for a period of 14 days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed, the RCIs and the Coupons and the Trustee may, notwithstanding the provisions of paragraph (b) of this Condition 10, institute proceedings for the winding up of the Issuer.
- (b) Subject as provided in Condition 9, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the RCIs or the Coupons (other than for the payment of any principal or satisfaction of any Payments in respect of the RCIs or the Coupons) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.
- (c) The Trustee shall not be bound to take any of the actions referred to in paragraph (a) or (b) above against the Issuer to enforce the terms of the Trust Deed, the RCIs or the Coupons unless (i) it shall have been so requested by an Extraordinary Resolution of the RCI Holders or in writing by the holders of at least one-fifth in principal amount of the RCIs then outstanding and (ii) it shall have been indemnified to its satisfaction.



- (d) No RCI Holder or Couponholder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up of the Issuer or to prove in such winding-up 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 RCI Holder or Couponholder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise. Any such proceedings brought by any RCI Holder or Couponholder shall be brought in the name of the Trustee, subject to such RCI Holder or Couponholder indemnifying the Trustee to its satisfaction. No remedy against the Issuer shall be available to the Trustee or any RCI Holder or Couponholder (i) for the recovery of amounts owing in respect of the RCIs or the Coupons, 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 RCIs 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, Exceptionally Deferred Coupon Payments, Accrued Coupon Payments and Winding-Up Claims in respect of the RCIs will be made without withholding of or deduction for, or on any account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the United Kingdom or any political subdivision thereof or by any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by RCI Holders or Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the RCIs or, as the case may be, Coupons in the absence of such withholding or deduction, except that no such additional amounts shall be payable in relation to any payment with respect to any RCI or Coupon presented for payment:

- (a) by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such RCI or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such RCI or Coupon; or
- (b) unless it is proved to the satisfaction of the Paying Agent to whom the same is presented that the holder would not be able to avoid such withholding or deduction by satisfying any statutory requirements and/or by making a declaration of non-residence or other similar claim for exemption but, in either case, fails to do so; or
- (c) in the United Kingdom; or
- (d) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days.

References in these Terms and Conditions to principal and/or 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**

RCIs and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment within a period of 10 years in the case of RCIs and five years in the case of Coupons from the Relevant Date relating thereto. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition or Condition 8(a)(ii) or any Talon which would be void pursuant to Condition 8(a)(ii).

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

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

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

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

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

No modification to these Terms and Conditions or any other provisions of the Trust Deed shall become effective unless the prior consent thereto of the Financial Services Authority shall have been obtained.

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

In connection with any substitution or such exercise as aforesaid, no RCI Holder or Couponholder shall be entitled to claim, whether from the Issuer, the Substituted Issuer or the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such substitution upon any individual RCI Holders or Couponholders except to the extent already provided in Condition 11 and/or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

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

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

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

## **15. Indemnification of 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.

## **16. Notices**

Notices to RCI Holders will be valid if published in a leading newspaper having general circulation in London (expected to be the *Financial Times*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the RCI Holders in accordance with this Condition.

## **17. Further Issues**

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

## **18. Calculation Agent**

The Issuer will procure that there shall at all times be a Calculation Agent so long as any RCI 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 RCIs shall (save in the case of manifest error) be final and binding on the Issuer, the Holding Company, the Trustee, the Paying Agents, the RCI Holders and the Couponholders.

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

## **19. Governing Law**

The Trust Deed, the RCIs, the Coupons and the Talons are governed by, and shall be construed in accordance with, the laws of England.

## **20. Definitions**

In these Terms and Conditions:

“**Accrued Coupon Payment**” means, as at any time, where these Terms and Conditions provide that interest shall continue to accrue after a Coupon Payment Date in respect of an RCI, the amount of interest accrued thereon in accordance with Conditions 4(b), 5 and 6(e);

“**Agency Agreement**” means the agency agreement dated 3 May 2000 between the Issuer, the Holding Company, the Trustee and the Paying Agents, relating to the RCIs under which each paying agent agrees to perform the duties required of it under these Terms and Conditions;

“**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, other than a Saturday or Sunday, on which TARGET is operating and banks and foreign exchange markets settle payments in London;

**“Calculation Agency Agreement”** means the calculation agency agreement dated 3 May 2000 between the Issuer, the Holding Company, the Trustee and the Calculation Agent, relating to the RCIs under which the Calculation Agent agrees to perform the duties required of it under these Terms and Conditions;

**“Calculation Agent”** means Cazenove & Co. as calculation agent and placement agent in relation to the RCIs, or its successor or successors 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 an RCI and includes, where the context so permits, a Talon;

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

**“Coupon Determination Date”** means the second business day prior to each Reset Date;

**“Coupon Payment”** means the Coupon Amount multiplied by the number of RCIs outstanding on the relevant date;

**“Coupon Payment Date”** means (i) in respect of the period from the Issue Date to (and including) the First Reset Date, 15 December in each year, starting 15 December 2000 and (ii) after the First Reset Date, 15 March, 15 June, 15 September and 15 December in each year, starting 15 March 2011, provided that if any Coupon Payment Date after the First Reset Date would otherwise fall on a day which is not a TARGET Business Day, it shall be postponed to the next day which is a TARGET 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);

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

**“Day Count Fraction”** means (i) in respect of the period from (and including) the Issue Date to (but excluding) the First Reset Date, the actual number of days elapsed divided by the actual number of days in the relevant Coupon Period and (ii) in respect of each Coupon Period after the First Reset Date, the actual number of days elapsed divided by 360;

**“dealing day”** means a day, other than a Saturday or Sunday, on which the London Stock Exchange (or such other stock exchange on which the RCI's are at the relevant time listed) is ordinarily open for the trading of securities;

**“Deferred Coupon Payment”** means any Coupon Payment or Exceptionally Deferred Coupon Payment, or part thereof, which, pursuant to Condition 4(b), the Issuer has elected to defer and which has not been satisfied;

**“euro”** and **“€”** mean the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty and the smallest subdivision of which shall be one hundredth of a euro or a **“cent”**;

**“Euro-zone”** means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty;

the **“Exceptional 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 Coupon Payment will result in the Issuer being, in non-compliance with the applicable Capital Regulations;

**“Exceptionally Deferred Coupon Payment”** means a Coupon Payment, or part thereof, which has been deferred in accordance with Condition 4(a) and not satisfied;

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

**“First Reset Date”** means 15 December 2010;

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

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

**“Issue Date”** means 3 May 2000, being the date of initial issue of the RCI's;

**“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, 6.5% Undated Subordinated Notes, 5.03% Reverse Dual Currency Undated Subordinated Notes, 5% Reverse Dual Currency Undated Subordinated Notes and any other securities constituted by a Trust Deed dated 2 July 1985 made between the Issuer and Phoenix Assurance Public Limited Company, as trustee, and any Trust Deed supplemental thereto, any securities issued pursuant to the Indenture dated as of 15 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 Limited;

**“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 securities 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;

**“New Owner”** means any new ultimate holding company of the Barclays group of companies;

**“Ordinary Shares”** means ordinary shares of the Holding Company, having on the Issue Date a par value of £1 each;

**“Outstanding”**, in relation to any Coupon Payment, Deferred Coupon Payment or Exceptionally 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 Condition 4(a), 4(b), 6(d), 6(e) or 8(d); and (b) in any such case has not been satisfied, and in relation to any Accrued Coupon Payment means any amount thereof which has not been satisfied whether or not payment has become due;

**“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, Deferred Coupon Payment, Exceptionally Deferred Coupon Payment or Accrued Coupon Payment;

**“Payment Business Day”** means a day (other than a Saturday or Sunday) on which commercial banks are open for business in London and, in the case of a presentation or surrender of a RCI, in the place of the specified office of the relevant Paying Agent to whom the same is presented or surrendered and, in the case of payment by transfer to a euro account, a day which is a TARGET Business Day;

**“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;

**“RCIs”** means the € 850,000,000 7.50% Step-up Callable Perpetual Reserve Capital Instruments, and such expression shall include, unless the context otherwise requires, any further instruments issued pursuant to Condition 17 and forming a single series with the RCIs;

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

**“Reference Banks”** are the banks to be appointed in accordance with Condition 5(e);

**“Reference Bond”** means, in relation to any calculation of the Suspension Redemption Price, the 5.375 per cent. Bundesobligationen 4 January 2010, or if such bond is no longer in issue, such other European government bond as the Calculation Agent may, with the advice of three brokers of, and/or market makers in, European government bonds selected by the Calculation Agent, determine to be appropriate for determining the Suspension Redemption Price;



**“Relevant Date”** means (i) in respect of any payment other than a Winding-Up Claim, 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 RCI Holders in accordance with Condition 16, and (ii) in respect of a Winding-Up Claim, 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;

**“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 RCI Holders;

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

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 RCI, the higher of (a) the denomination of such RCI and (b) the price, expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards), at which the gross redemption yield (as calculated by the Calculation Agent) on the RCIs, if they were to be purchased at such price on the third dealing day prior to the date fixed for redemption, would be equal to the gross redemption yield on such dealing day of the Reference Bond plus 1.0 per cent., on the basis of the middle market price of the Reference Bond prevailing at 11.00 a.m. (Central European time) on such dealing day;

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

**“TARGET”** means the Trans European Real-Time Gross Settlement Express Transfer (TARGET) System;

**“TARGET Business Day”** means a day on which TARGET is operating;

**“Treaty”** means the treaty establishing the European Community, as amended from time to time;

**“Trust Deed”** means the trust deed dated 3 May 2000 between the Issuer, the Holding Company and the Trustee, relating to the RCIs;

**“Trustee”** means Royal & Sun Alliance Trust (Jersey) Limited as trustee for the RCI Holders and includes its successor(s);

**“Upper Tier 2 Securities”** means securities of the Issuer that have substantially similar terms as the RCIs 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 (as defined in the Financial Services Authority’s Guide to Banking Supervisory Policy or any successor publication replacing such guide) and (2) the Coupon Rate of such securities shall be determined in such manner as shall result in it being 0.4 per cent. per annum below the Coupon Rate from time to time applying to the RCIs; and

**“Winding-Up Claim”** has the meaning ascribed to it in Condition 2(b)(ii).

## USE OF PROCEEDS

The net proceeds of the issue of the RCIs are estimated to amount to € 834,241,000 and will be used for the development and expansion of the business of the Bank and its subsidiaries and further to strengthen the capital base of the Bank.



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

### Exchange

The RCIs will be represented initially by a Temporary Global RCI 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 3 May 2000. The Temporary Global RCI will be exchangeable in whole or in part (free of charge to the holder) for interests in a Permanent Global RCI in bearer form without Coupons or Talons on or after a date which is expected to be 12 June 2000 (the "Exchange Date") upon certification as to non-US beneficial ownership as required by US Treasury regulations and as described in the Temporary Global RCI. Upon deposit of the Temporary Global RCI or the Permanent Global RCI (each a "Global RCI") with a common depositary for Clearstream, Luxembourg and Euroclear, Clearstream, Luxembourg and Euroclear will credit each subscriber with a principal amount of RCIs equal to the principal amount thereof for which it has subscribed and paid.

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

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

For so long as any of the RCIs are represented by a Global RCI, the bearer of the Global RCI may, except as ordered by a court of competent jurisdiction or as required by law, be treated by the Bank, the Trustee and the Paying Agents as the owner thereof and of all rights thereunder free from all encumbrances (in accordance with and subject to its terms and the Trust Deed) and the expression "RCI Holder" and related expressions shall be construed accordingly. Interests in RCIs which are represented by a Global RCI will only be transferable in accordance with the rules and procedures for the time being of Clearstream, Luxembourg and/or Euroclear, as the case may be.

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

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

Interests in the Permanent Global RCI will be exchangeable in whole but not in part (free of charge to the holder) for definitive bearer RCIs (a) if Clearstream, Luxembourg or Euroclear or the Alternative Clearing System (as defined below) is closed for business for a continuous period of 14 days (other than by reason of public holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so by such holder giving notice to the Principal Paying Agent or (b) if the Bank would suffer a material disadvantage in respect of the RCIs as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 7 which would not be suffered were the RCIs in definitive form and a certificate to such effect signed by one Director of the Bank is delivered to the Trustee, by the Bank giving notice to the Principal Paying Agent and the RCI Holders of its intention to exchange the Permanent Global RCI for definitive RCIs on or after the Permanent Global Exchange Date (as defined below) specified in the notice.

On or after the Permanent Global Exchange Date the holder of the Permanent Global RCI shall surrender the Permanent Global RCI to or to the order of the Principal Paying Agent. In exchange for the Permanent Global RCI, the Bank shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive RCIs having attached to them all Coupons (and talons) in respect of interest which has not already been paid on the Permanent Global RCI.

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

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

### **Payments**

Principal and interest in respect of the Permanent Global RCI shall be paid to its holder against presentation and (if no further payment falls to be made on it) surrender of it to or to the order of the Principal Paying Agent in respect of the RCIs (or to or to the order of such other Paying Agent as shall have been notified to the RCI Holders for this purpose) which shall endorse such payment or cause payment to be endorsed in the appropriate schedule to the Permanent Global RCI. No person shall however be entitled to receive any payment on the Permanent Global RCI falling due after the Permanent Global Exchange Date, unless exchange of the Permanent Global RCI for definitive RCIs is improperly withheld or refused by or on behalf of the Issuer.

### **Notices**

So long as the Permanent Global RCI is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System, notices required to be given to RCI Holders may be given by their being delivered to Euroclear and/or Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System, rather than by publication as required by the Terms and Conditions of the RCIs.

### **Meetings**

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

### **Purchase and cancellation**

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

### **Trustee's powers**

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

## THE BANK AND THE GROUP

### Business

The Bank and its subsidiary undertakings (taken together, the “Group”) is a UK-based financial services group engaged primarily in the banking and investment banking businesses. 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 one of the leading providers of co-ordinated global services to multinational corporations and financial institutions in the world’s main financial centres. At 31 December 1999, the total consolidated assets of the Group were £254,793 million, based on the audited balance sheet at that date. The whole of the issued ordinary share capital of the Bank 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 31 December 1999 was £2,460 million after charging net credit risk provisions of £621 million. In 1998 the Group made a profit before taxation of £1,895 million after charging net credit risk provisions of £485 million.

## Capitalisation and indebtedness

The following table sets out the authorised and issued share capital of the Bank and the Group shareholders' funds and indebtedness and contingent liabilities as at 31 December 1999.

	<i>As at 31 December 1999 (audited) £million</i>
<b>Share capital</b>	
<b>Barclays Bank PLC</b>	
Authorised ordinary share capital – shares of £1 each	2,500
Authorised preference share capital – shares of US\$0.01 each <sup>1</sup>	1
Ordinary shares – issued and fully paid	2,088
Preference shares – issued and fully paid <sup>1</sup>	0
<b>Group shareholders' funds</b>	
<b>Equity</b>	
Issued and fully paid ordinary share capital	2,088
Share premium	1,611
Revaluation reserve	37
Profit and loss account	4,747
<b>Non-equity</b>	
Issued and fully paid preference share capital <sup>1</sup>	0
Share premium <sup>1</sup>	270
<b>Total shareholders' funds</b>	8,753
<b>Group indebtedness</b>	
<b>Loan capital</b>	
Undated loan capital – convertible to preference shares <sup>2</sup>	309
Undated loan capital – non-convertible <sup>2</sup>	1,440
Dated loan capital – non-convertible <sup>3</sup>	2,848
	4,597
<b>Debt securities in issue</b>	
Bonds and medium term notes	1,599
Other securities in issue	21,730
	23,329
<b>Total indebtedness</b>	27,926
<b>Total capitalisation and indebtedness</b>	36,679
<b>Contingent liabilities</b>	
Acceptances and endorsements	1,530
Guarantees and assets pledged as collateral security	12,044
Other contingent liabilities	5,360
	18,934

<sup>1</sup> At 31 December 1999 the Bank had US\$1,500,000 of authorised preference share capital comprising 150 million preference shares of US\$0.01 each. 34.92 million preference shares were outstanding having been issued fully paid for a consideration of US\$436.5m (£270m based on the year end exchange rate of US\$1.62 per pound sterling), of which the nominal value was US\$349,200 and the balance was share premium. The outstanding preference shares of the Bank comprise 8.96 million Series C1, 8.96 million Series C2, 8.5 million Series D1 and 8.5 million Series D2 Non-cumulative Dollar-denominated Preference Shares. See note (o) on page 28 for information on the Series E Non-cumulative Dollar-denominated Preference Shares of the Bank.

<sup>2</sup> See pages 27 to 29.

<sup>3</sup> See pages 27 to 29.

**Undated loan capital at 31 December 1999 (Notes a and b)***£ million***The Bank:**

Junior Undated Floating Rate Notes (US\$138m) (Notes c and f)	85
Undated Floating Rate Primary Capital Notes Series 1 (US\$358m) (Notes d and f)	221
Undated Floating Rate Primary Capital Notes Series 2 (US\$442m) (Notes d and f)	273
Undated Floating Rate Primary Capital Notes Series 3 (Notes d and f)	145
8% Convertible Capital Notes, Series E (US\$500m) (Notes d and o)	309
9.875% Undated Subordinated Notes (Notes d and p)	300
9% Permanent Interest Bearing Capital Bonds (Note d)	100
7.875% Undated Subordinated Notes (Notes d and q)	100
6.5% Undated Subordinated Notes (FRF 1bn) (Notes d and g)	95
5.03% Reverse Dual Currency Undated Subordinated Notes (¥8bn) (Notes d and h)	48
5% Reverse Dual Currency Undated Subordinated Notes (¥12bn) (Notes d and h)	73
	<u>1,749</u>

**Dated loan capital at 31 December 1999 (Notes a, b and e)***£ million***The Bank:**

Floating Rate Subordinated Notes 2000 (US\$100m) (Notes f and n)	62
5.875% Subordinated Notes 2000 (US\$225m) (Note n)	140
5.95% Subordinated Notes 2001 (US\$225m) (Note n)	140
9.5% Subordinated Redeemable Bonds 2001 (FRF 350m)	33
Floating Rate Unsecured Capital Loan Stock 2006 (Note f)	4
Floating Rate Subordinated Notes 2006 (DM 350m) (Note f)	111
Floating Rate Subordinated Notes 2006 (¥20bn) (Note f)	121
16% Unsecured Capital Loan Stock 2002/07	100
4.875% Step-up Callable Subordinated Notes 2008 (FRF 1bn) (Note i)	95
Floating Rate Subordinated Notes 2008 (ITL 250bn) (Note f)	80
Subordinated Floating Rate Notes 2008 (US\$250m) (Note f)	155
Subordinated Floating Rate Notes 2009 (US\$60m) (Note f)	37
Floating Rate Subordinated Step-up Callable Notes 2009 (US\$550m) (Note f)	340
Floating Rate Subordinated Step-up Callable Notes 2009 (US\$115m) (Note f)	71
7.4% Subordinated Notes 2009 (\$400m)	248
Subordinated Fixed to CMS-Linked Notes 2009 (€ 31m) (Note f)	19
Floating Rate Subordinated Step-up Callable Notes 2009 (€ 150m) (Note f)	93
Variable Floating Rate Subordinated Notes 2009 (¥5bn) (Note f)	30
12% Unsecured Capital Loan Stock 2010	25
Floating Rate Unsecured Capital Loan Stock 2010 (Note f)	1
Fixed/Floating Rate Subordinated Notes 2011 (¥5bn) (Note j)	30
Floating Rate Subordinated Notes 2012 (Note f)	298
5.5% Subordinated Notes 2013 (DM 500m) (Note k)	159
Floating Rate Subordinated Notes 2019 (€ 50m) (Note f)	31
5.4% Reverse Dual Currency Subordinated Notes 2027 (¥15bn) (Note l)	91
6.33% Subordinated Notes 2032	50
Barclays Overseas Investment Company B.V.:	
Guaranteed Notes 2007 (¥15bn) (Note m)	91
Barclays North American Capital Corporation:	
9¾% Guaranteed Capital Notes 2021 (US\$311m)	193
	<u>2,848</u>

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 Bank subject to any necessary prior approval of the FSA.
- (b) Loan capital in foreign currencies is expressed in sterling at the exchange rates prevailing on 30 December 1999.
- (c) These Notes (the "Junior Notes") rank behind the claims against the Bank of depositors and other unsecured unsubordinated creditors and holders of dated loan capital.
- (d) These Notes rank behind the claims against the Bank of the holders of the Junior Notes.
- (e) The dated 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 dated 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.
- (f) These Notes bear interest at rates fixed periodically in advance based on London or European interbank rates.
- (g) 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.
- (h) These Notes bear a fixed rate of interest until 2028 based on a US 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.
- (i) 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.
- (j) 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.
- (k) 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.
- (l) These Notes bear a fixed rate of interest based on a US 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.
- (m) 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. 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.
- (n) The Bank has swapped the proceeds of these Notes for sterling under three swaps the durations of which will match the respective terms of the Notes. The payment obligations of the Bank under these three swaps are subordinated so that the claims against the Bank in respect of the swaps rank *pari passu* with claims against the Bank 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.
- (o) These Notes are convertible, at the option of the Bank, into 40,000,000 Non-cumulative Dollar-denominated Preference Shares, Series E of the Bank ranking *pari passu* with its existing Preference Shares; at the date of this document no Series E Notes have been so converted.

- (p) Redeemable at the option of the Bank 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.
- (q) Redeemable at the option of the Bank up to 2003 and on every tenth 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 10 years.

There has been no material change in the undated loan capital and dated loan capital of the Group since 31 December 1999.

## Directors

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

<i>Name</i>	<i>Functions within the Group</i>	<i>Principal outside activity</i>
Sir Peter Middleton GCB	Group Chairman	—
Matthew Barrett	Group Chief Executive	—
David Allvey	Finance Director	—
Christopher Lendrum	Chief Executive, Corporate Banking	—
John Varley	Chief Executive, Retail Financial Services	—
Sir Andrew Large	Non-Executive Director; Group Deputy Chairman	—
David Arculus	Non-Executive Director	Chairman, IPC Group Ltd and Severn Trent plc
Mary Baker	Non-Executive Director	—
Hilary Cropper	Non-Executive Director	Executive Chairman, F.I. Group PLC
Peter Jarvis CBE	Non-Executive Director	Chairman, Debenhams Plc
Sir Nigel Mobbs, JP	Non-Executive Director	Chairman, Slough Estates plc
Sir Nigel Rudd, DL	Non-Executive Director	Chairman, Williams Holdings PLC



## Financial statements

The financial statements set out on this page and page 31 and the other financial information contained on pages 25 and 26 have been extracted from the audited consolidated accounts of the Group for the two years ended 31 December 1999.

### Consolidated profit and loss accounts

	Year ended	
	31.12.99	31.12.98
	(audited)	
	£m	£m
Interest receivable	9,320	9,912
Interest payable	(4,696)	(5,604)
Profit on redemption/repurchase of loan capital	3	3
Net interest income	4,627	4,311
Net fees and commissions receivable	2,932	2,779
Dealing profits	561	(33)
Other operating income	244	324
Total non-interest income	3,737	3,070
Operating income	8,364	7,381
Administration expenses – staff costs	(3,057)	(2,811)
Administration expenses – other	(1,807)	(1,829)
Depreciation and amortisation	(280)	(275)
Operating expenses	(5,144)	(4,915)
<b>Operating profit before provisions</b>	3,220	2,466
Provisions for bad and doubtful debts	(621)	(492)
Provisions for contingent liabilities and commitments	(1)	(76)
<b>Operating profit</b>	2,598	1,898
Loss on sale or restructuring of BZW	(30)	(3)
(Loss)/profit on disposal of other Group undertakings	(108)	4
Write-down of fixed asset investments	—	(4)
<b>Profit on ordinary activities before tax</b>	2,460	1,895
Tax on profit on ordinary activities	(649)	(533)
<b>Profit on ordinary activities after tax</b>	1,811	1,362
Minority interests (equity)	(24)	(20)
<b>Profit attributable to the members of Barclays Bank PLC</b>	1,787	1,342
Dividends payable to Barclays PLC	(1,404)	(1,214)
Dividends payable to preference shareholders	(28)	(25)
<b>Profit retained for the financial year</b>	355	103

## Consolidated balance sheets

	Year ended	
	31.12.99	31.12.98
	(audited)	
	£m	£m
<b>Assets:</b>		
Cash and balances at central banks	1,166	942
Items in course of collection from other banks	2,492	2,475
Treasury bills and other eligible bills	7,176	4,748
Loans and advances to banks		
- banking	13,071	20,316
- trading	29,585	16,296
	42,656	36,612
Loans and advances to customers		
- banking	95,006	81,469
- trading	18,532	14,641
	113,538	96,110
Debt and equity securities	59,523	50,068
Interests in associated undertakings and joint ventures	106	150
Intangible fixed assets – goodwill	183	196
Tangible fixed assets	1,800	1,939
Other assets	18,113	19,169
	246,753	212,409
Retail life-fund assets attributable to policyholders	8,040	7,085
<b>Total assets</b>	<b>254,793</b>	<b>219,494</b>
<b>Liabilities:</b>		
Deposits by banks		
- banking	26,915	25,951
- trading	17,571	8,469
	44,486	34,420
Customer accounts		
- banking	105,027	96,099
- trading	18,939	12,706
	123,966	108,805
Debt securities in issue	23,329	17,824
Items in course of collection due to other banks	1,400	1,279
Other liabilities	40,140	38,191
Undated loan capital – convertible to preference shares	309	301
Undated loan capital – non-convertible	1,440	1,441
Dated loan capital – non-convertible	2,848	1,992
	237,918	204,253
<b>Minority interests and shareholders' funds:</b>		
Minority interests: equity	82	51
Called up share capital	2,088	2,076
Reserves	6,665	6,029
Shareholders' funds – equity and non equity	8,753	8,105
	8,835	8,156
	246,753	212,409
Retail life-fund liabilities to policyholders	8,040	7,085
<b>Total liabilities and shareholders' funds</b>	<b>254,793</b>	<b>219,494</b>

## UNITED KINGDOM TAXATION

*The following is a summary of the current United Kingdom taxation treatment of the RCI's. It is not exhaustive. It relates only to the position of persons who are the absolute beneficial owners of the RCI's and Coupons and may not apply to certain classes of RCI Holders, such as dealers in securities. RCI 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. The RCI's will constitute "quoted Eurobonds" within the meaning of section 124 of the Income and Corporation Taxes Act 1988 ("ICTA") provided they continue to be listed on a "recognised exchange" within the meaning of section 841 of ICTA (the London Stock Exchange is so recognised). Accordingly, while the RCI's remain in global form and are held in a recognised clearing system within the meaning of section 841A of ICTA (Clearstream, Luxembourg and Euroclear have each been designated as a "recognised clearing system"), payments of interest on the RCI's may be made by any paying agent without withholding or deduction for or on account of United Kingdom income tax provided that, where required, such paying agent has received an appropriate declaration or a notice from the Inland Revenue. If the RCI's are issued in definitive form in the circumstances set out under "Summary of provisions relating to RCI's while in global form" and continue to be listed on a recognised stock exchange, then payments of interest on the RCI's may be made without withholding or deduction where:

- (a) payment is made by or through an overseas paying agent; or
- (b) payment is made by or through a United Kingdom paying agent and either:
  - (i) the beneficial owner of the RCI's is not resident in the United Kingdom and is beneficially entitled to the interest; or
  - (ii) the RCI's are held in a recognised clearing system,

and, if required by regulations, a declaration in appropriate form has been given to the person by or through whom the payment is made or the Inland Revenue has issued an appropriate notice to that person, provided that the Inland Revenue has not issued a direction that it considers that neither of the conditions in (i) or (ii) is satisfied.

In all other cases, interest on the RCI's will be paid under deduction of United Kingdom income tax at the lower rate (currently 20 per cent), subject to any direction to the contrary by the Inland Revenue under an applicable double tax treaty.

The requirements discussed in (a) and (b) above, together with the requirement for appropriate declarations to be made will, on the basis of proposals set out in the Finance Bill 2000, cease to apply to interest payments that are made on the RCI's on or after 1 April 2001. On the basis of the measures included in the Finance Bill, the only requirement that would have to be satisfied from 1 April 2001 in order for interest payable on the RCI's to be paid free of UK withholding tax is that the RCI's are listed on a recognised stock exchange within the meaning of section 841 of ICTA (and as mentioned above, the London Stock Exchange is so recognised).

2. Where an RCI constitutes a "quoted Eurobond" as defined above and any person in the United Kingdom who in the course of a trade or profession acts as a collecting agent, ie either:
  - (a) acts as custodian of the RCI and receives interest on the RCI or directs that interest on the RCI be paid to another person or consents to such payment; or
  - (b) collects or secures payment of, or receives interest on the RCI for an RCI Holder or a Couponholder; or
  - (c) otherwise acts for another person in arranging to collect or secure payment of interest on the RCI, (except by means only of clearing a cheque or arranging for the clearing of a cheque) the collecting agent will be liable to account for a sum representing income tax at the lower rate (currently 20 per cent) on payments of interest on the RCI and will deduct such a sum unless:

- (i) the relevant RCI is held in a recognised clearing system and the collecting agent either:
  - (1) pays or accounts for the interest directly or indirectly to the recognised clearing system; or
  - (2) is acting as depositary for the recognised clearing system in respect of the relevant RCI; or
- (ii) the person beneficially entitled to the interest is either not resident in the United Kingdom and beneficially owns the relevant RCI or is prescribed by regulations; or
- (iii) the interest arises to trustees not resident in the United Kingdom of certain discretionary or accumulation trusts (where, *inter alia*, none of the beneficiaries of the trust is resident in the United Kingdom); or
- (iv) the person beneficially entitled to the interest is eligible under specified provisions for certain reliefs from tax in respect of the interest; or
- (v) the interest falls to be treated as the income of, or of the government of, a sovereign power or of certain international organisations.

For exceptions (i)(1) (other than where payment is made directly to the recognised clearing system) and (ii) to (v) to be available, a declaration in a specified form has to be provided (or a notice issued by the Inland Revenue) in all cases to the collecting agent. The collecting agent will be liable to account to the Inland Revenue for, and will be entitled to withhold United Kingdom income tax at, the lower rate if the Inland Revenue issues a direction to that effect, having reason to believe that no exception applies or that the depositary or collecting agent has failed to comply with certain requirements.

The measures included in the Finance Bill 2000 referred to in paragraph 1 above also apply to collecting agents. So, if those measures are enacted in the form in which they currently appear in the Finance Bill the requirements with respect to collecting agents described in this paragraph 2 will cease to apply for payments of interest made on or after 1 April 2001.

3. The interest on the RCIs 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 RCI 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 an RCI Holder who is not resident for tax purposes in the United Kingdom unless the RCI 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 RCIs are attributable. There are certain exceptions for income received by specified categories of agent (such as some brokers and investment managers).
4. Where interest on the RCIs has been paid under deduction of United Kingdom income tax, RCI Holders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.
5. The provisions relating to additional payments referred to in Condition 11 of “Terms and Conditions of the RCIs” would not apply if the Inland Revenue sought to assess the person entitled to the relevant interest or (where applicable) profit on any RCI 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**

6. In certain cases the Bank may issue ordinary shares to discharge its obligations to make an interest payment on the RCIs (as described in the Summary under “Alternative coupon satisfaction mechanism” and as set out in more detail in Condition 6 of the Terms and Conditions). Such shares will be issued to the Trustee acting on behalf of the Couponholders. The shares 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 in the market and, if relevant, the sale proceeds will be converted into euros. The Trustee will then make a cash payment to Couponholders which will be equal to the interest payment(s) in question.

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

7. Where the Bank issues shares to satisfy a coupon payment, as described in Condition 6, the issue of the shares by the Bank will be treated as representing payment of the coupon payment in question. As explained in Condition 6, the Bank will issue such number of shares as is required in order to generate sufficient proceeds to discharge the coupon payment in question. As the Bank shares are denominated in sterling, and assuming that sterling is still the official currency of the United Kingdom, it is anticipated that the proceeds generated from the sale of such shares will be in sterling. This sterling amount will 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.

In order to hedge against any sterling/euro exchange movements between the time at which the Bank decides the number of shares that it needs to issue, and the time at which such shares are issued, the Trustee or its agent will enter into a forward purchase of euros (“forward purchase contract”). For individual investors and corporate investors that are not within the charge to the foreign exchange legislation (and are not exempt from tax on capital gains), the amount of the euros that they will receive will be a chargeable asset for the purposes of United Kingdom capital gains tax. The base cost for capital gains tax purposes (“base cost”) to such investors of this asset will normally be the value at which the Trustee or its agent contracts to buy the euros under the forward purchase contract. If the exchange rate is different at the date at which such an investor disposes of the euros, he could realise a capital gain or a capital loss. Should the Bank issue shares under the alternative coupon satisfaction mechanism, the Trustee or its agent will notify such investors of the base cost of the euros that they receive in accordance with the Terms and Conditions of the RCIs.

#### **Holders within the charge to United Kingdom corporation tax**

8. The RCIs may be “qualifying assets” for the purposes of the United Kingdom’s provisions relating to the taxation of foreign exchange gains and losses (the “FOREX provisions”). A corporate RCI Holder which is within the charge to United Kingdom corporation tax and is subject to the Forex provisions may, depending on the movement of the euro, the currency in which the RCIs are denominated, against the “local currency” of the RCI Holder, realise an income gain or loss taxable on an accruals basis for United Kingdom tax purposes for each accounting period during which the RCIs are held, notwithstanding that there has been no disposal of the RCIs.
9. For corporate RCI Holders within the charge to United Kingdom corporation tax, RCIs will normally constitute “qualifying corporate bonds” within section 117 of the Taxation of Chargeable Gains Act 1992. Such corporate RCI 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**

10. On a disposal or redemption of the RCIs, an RCI Holder who is not within the charge to United Kingdom corporation tax and who is a UK taxpayer may realise a chargeable gain or an allowable loss for United Kingdom capital gains tax purposes. In calculating any gain or loss on a disposal of an RCI, the sterling value of the RCI at the date of disposal is compared with its sterling value at the date of acquisition. Accordingly, a taxable gain could arise even where the euro amount received on a disposal is less than or the same as the amount paid for the RCI.
11. RCI holders who are within the charge to United Kingdom income tax on the interest payable on the RCIs will generally be liable to tax on this interest when it is paid to them in cash or in the form of shares (see 6 above).

12. A transfer of RCIs by an RCI Holder which is not a company within the charge to United Kingdom corporation tax and which is resident or ordinarily resident in the United Kingdom or which carries on a trade in the United Kingdom through a branch or agency to which the RCIs are attributable may give rise to a charge to United Kingdom income tax in respect of an amount representing interest on the RCIs which has accrued since the preceding Coupon Payment Date under the provisions of the “accrued income scheme” (the “Scheme”). The RCIs will be variable rate securities within the meaning of section 717 of ICTA. Accordingly, on a transfer of an RCI, 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.

#### **Proposed EU Directive on the taxation of savings income**

13. In June 1998, the European Commission presented to the Council of Ministers of the European Union a proposal to oblige member states to adopt either a “withholding tax system” or an “information reporting system” in relation to interest, discounts and premiums. It is unclear whether this proposal will be adopted and, if it is adopted, whether it will be adopted in its current form. The “withholding tax system” would require a paying agent established in a member state to withhold tax, at a minimum rate of 20 per cent, from any interest, discount or premium paid to an individual resident in another member state unless such an individual presents a certificate obtained from the tax authorities of the member state in which he is resident confirming that those authorities are aware of the payment due to that individual. The “information reporting system” would require a member state to supply to other member states details of any payment of any interest, discount or premium made by paying agents within its jurisdiction to an individual resident in another member state. For these purposes, the term “paying agent” is widely defined and includes an agent who collects interest, discounts or premiums on behalf of an individual beneficially entitled thereto. If this proposal is adopted, it will not apply to payments of interest, discounts and premiums made before 1 January 2001.

## SUBSCRIPTION AND SALE

Under a subscription agreement entered into with the Bank on 26 April 2000 (the “Subscription Agreement”), Barclays Bank PLC (the “Lead Manager”), Morgan Stanley & Co. International Limited, Paribas and Salomon Brothers International Limited (together with the Lead Manager, the “Managers”) have agreed to subscribe for the RCIs at the issue price of 99.146 per cent. of their principal amount. The Bank has agreed to pay to the Managers a combined management and underwriting commission of 1 per cent. of the principal amount of the RCIs. The Subscription Agreement is subject to termination in certain circumstances prior to payment to the Bank.

The RCIs have not been and will not be registered under the US 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, US 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.

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

Each of the Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver RCIs (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, US persons, and it will have sent to each dealer to which it sells RCIs during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of RCIs within the United States or to, or for the account or benefit of, US persons.

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

Each of the Managers has represented and agreed that:

- (1) it has not offered or sold and will not offer or sell any RCIs to persons in the United Kingdom prior to admission of such RCIs to listing in accordance with Part IV of the Financial Services Act 1986 (the “Act”) 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 or the Act;
- (2) it has complied and will comply with all applicable provisions of the Act with respect to anything done by it in relation to the RCIs in, from or otherwise involving the United Kingdom; and
- (3) it has only issued or passed on, and will only issue or pass on, in the United Kingdom any document received by it in connection with the issue of the RCIs, other than any document which consists of or any part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules under Part IV of the Act, to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom the document may otherwise lawfully be issued or passed on.

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



## GENERAL INFORMATION

1. It is expected that admission of the RCIs to the Official List and to trading on the London Stock Exchange will be granted on or around 3 May 2000, subject only to the issue of the Temporary Global RCI. If the Temporary Global RCI is not issued as mentioned in this document, the issue of the RCIs may be cancelled. Prior to official listing, however, dealings in RCIs will be permitted by the London Stock Exchange in accordance with its rules.
2. The RCIs have been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 11053742. The ISIN code for the Notes is XS0110537429.
3. All RCIs 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 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 an RCI or Coupon.
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 Bank is aware, are any such proceedings pending or threatened.
5. There has been no significant change in the financial or trading position of the Bank or the Group and there has been no material adverse change in the financial position or prospects of the Bank or the Group since 31 December 1999.
6. No redemption or purchase by the Bank or any of its subsidiaries for cancellation of the RCIs will be made by the Bank without the prior consent of the Financial Services Authority.
7. The annual consolidated accounts of the Bank and its subsidiaries for each of the two years ended 31 December 1999 have been audited by PricewaterhouseCoopers. The annual consolidated accounts of the Bank and its subsidiaries for the year ended 31 December 1997 have been audited by Price Waterhouse. Those accounts contained unqualified audit reports under section 235 of the Companies Act 1985.
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 offices of Lovells, 65 Holborn Viaduct, London EC1A 2DY for a period of 14 days from the date hereof.
  - (i) the Memorandum and Articles of Association of the Bank;
  - (ii) the published consolidated Report and Accounts of the Bank and its subsidiaries for the years ended 31 December 1998 and 31 December 1999;
  - (iii) the Subscription Agreement;
  - (iv) a draft, subject to amendment, of the Trust Deed;
  - (v) a draft, subject to amendment, of the Agency Agreement; and
  - (vi) a draft, subject to amendment, of the Calculation Agency Agreement.

**SECRETARY AND REGISTERED  
OFFICE OF THE BANK**

**H.B. Trust**  
54 Lombard Street  
London EC3P 3AH

**TRUSTEE FOR THE RCI HOLDERS**

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**AUDITORS OF THE BANK**

**PricewaterhouseCoopers**

Chartered Accountants and Registered Auditor  
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**PAYING AGENT**

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