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**BARCLAYS**  
**Barclays Bank PLC**  
(incorporated with limited liability in England)

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**U.S.\$1,000,000,000**  
**6.86 per cent. Callable Perpetual Core Tier One Notes**  
**Issue Price: 100 per cent.**

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The U.S.\$1,000,000,000 6.86 per cent. Callable Perpetual Core Tier One Notes (the “TONs”) of Barclays Bank PLC (the “Issuer”) will bear interest from (and including) 25 September, 2002 to (but excluding) 15 June, 2032 at a rate of 6.86 per cent. per annum, payable semi-annually in arrear on 15 June and 15 December in each year, save that the first payment will be made on 15 December, 2002 in respect of the period from (and including) 25 September, 2002 to (but excluding) 15 December, 2002 and will amount to U.S.\$15.24 per U.S.\$1,000 principal amount of the TONs. From (and including) 15 June, 2032, the TONs will bear interest at a rate, reset semi-annually, of 1.73 per cent. per annum above the London interbank offered rate for six-month U.S. dollar deposits, payable semi-annually in arrear on 15 June and 15 December in each year, all as more particularly described in “Terms and Conditions of the TONs — 5. Coupon Payments”. Coupon Payments (as defined herein), may be deferred as described in “Terms and Conditions of the TONs — 4. Coupon Deferral”, but the Issuer and Barclays PLC may not declare or pay dividends (other than a final dividend declared by Barclays PLC before deferral or intra-group dividends) on any of their respective ordinary shares or preference shares, or satisfy payments of interest in respect of any RCLs (as defined herein), or redeem, purchase, reduce or otherwise acquire any of their respective ordinary shares, preference shares or other securities, or any securities of their respective subsidiary undertakings benefiting from a guarantee from the Issuer or the Holding Company, ranking, as to payment of principal, or in the case of any such guarantee, as to the payments of sums under such guarantee, *pari passu* with or junior to the TONs, other than ordinary shares, preference shares or other securities held intra-group, until the Issuer next makes a Coupon Payment.

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

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

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

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

The TONs have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), and are being offered and resold in the United States only to “qualified institutional buyers” (as defined in Rule 144A (“Rule 144A”) under the U.S. Securities Act) and offered and sold outside the United States in accordance with Regulation S under the U.S. Securities Act (“Regulation S”). The TONs have not been approved or disapproved by the U.S. Securities and Exchange Commission (the “Commission”), any State securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the TONs or the accuracy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States.

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

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<b>BNP PARIBAS</b>	<b>Barclays Capital</b>	
<b>Merrill Lynch &amp; Co.</b>	<i>Lead Manager and Bookrunner</i>	
	<b>Goldman, Sachs &amp; Co.</b>	<b>JPMorgan</b>
	<b>Morgan Stanley</b>	<b>Wachovia Securities</b>

The TONs are being offered and sold by the Managers (as defined in “Subscription and Sale” below) outside the United States to non-U.S. persons in reliance on Regulation S (the “**Regulation S TONs**”) and will be represented by a global TON (the “**Regulation S Global TON**”). The TONs are being offered and sold by the Managers or their respective U.S. broker-dealer affiliates in the United States to “qualified institutional buyers” in reliance on Rule 144A (the “**Rule 144A TONs**”) and will be represented by a global TON (the “**Rule 144A Global TON**”) and, together with the Regulation S Global TON, the “**Global TONs**”).

Prospective purchasers are hereby notified that sellers of interests in the TONs may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. Each purchaser of TONs pursuant to Rule 144A will be deemed to have made certain representations and agreements as described herein. For a description of these and certain further restrictions on the offering, transfer and sale of interests in the TONs and on the distribution of this document, see “Transfer Restrictions” and “Subscription and Sale”.

TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE STATE OF NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

The Issuer accepts responsibility for the information contained in these listing particulars. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in these listing particulars 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 TONs, no person is authorised to give any information or to make any representation not contained in this document, and any information or representation not contained in this document must not be relied upon as having been authorised by the Issuer or the Managers. Neither the delivering of this document nor any sale or allotment made in connection with the issue of the TONs shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer since the date hereof or that the information contained herein is correct as of any time subsequent to its date. This document does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Managers to subscribe for or purchase, any of the TONs.

The distribution of this document and the offering or sale of the TONs in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required to inform themselves about and to observe any such restrictions. See “Subscription and Sale” below for a description, *inter alia*, of certain restrictions on offers, sales and deliveries of the TONs in the United States or to U.S. persons.

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

IN CONNECTION WITH THE ISSUE AND DISTRIBUTION OF THE TONS, BARCLAYS CAPITAL INC. OR ANY PERSON ACTING FOR IT MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE TONS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE MAY BE NO OBLIGATION ON BARCLAYS CAPITAL INC. OR ANY AGENT OF IT TO DO THIS. SUCH STABILISING, IF COMMENCED, SHALL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES, MAY BE DISCONTINUED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD.

## ENFORCEMENT OF JUDGMENTS

The Issuer is a public limited company incorporated under the laws of England and Wales. Substantially all of the directors and executive officers of the Issuer are not residents of the United States, and all or a substantial portion of the assets of such persons are located outside the United States. A substantial portion of the assets of the Issuer are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or such persons or to enforce judgments of U.S. courts against them in the United States. The Issuer has been advised by Lovells, its advisers as to English law, that judgments of U.S. courts, including judgments against the Issuer and its directors or executive officers predicated upon the civil liability provisions of U.S. federal securities law, may be unenforceable against such persons in England and Wales whether in original actions or in actions to enforce such judgments.

## AVAILABLE INFORMATION

The Issuer is currently subject to the informational requirements of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and in accordance therewith files, jointly with Barclays PLC, reports and other information with the Commission. Reports and other information filed by the Issuer with the Commission may be inspected and copied at the public reference facility maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material may also be obtained by mail from the Public Reference Section of the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, such material may be inspected and copied at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which certain of the Issuer’s securities are listed. For so long as any of the TONs are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, if at any time the Issuer is neither subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, nor exempt from the reporting requirements of the Exchange Act pursuant to Rule 12g3-2(b) thereunder, the Issuer will provide to the holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Trustee, for delivery to such holder, beneficial owner or prospective purchaser, in each case upon request of such holder, beneficial owner or prospective purchaser or the Trustee, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act.

## DOCUMENTS INCORPORATED BY REFERENCE

The Issuer’s Annual Report on Form 20-F 2001 (the “**Annual Report**”) and the Report on Form 6-K filed with the Commission on 12 September, 2002 containing its Interim Financial Report as at, and for the six months ended, 30 June, 2002 ( the “**Interim Report**”) shall be deemed to be incorporated in, and to form part of, this document save that (a) any statement in this document or in the Annual Report or the Interim Report of the Issuer shall be deemed to be modified or superseded for the purposes of this document to the extent that a statement contained in any subsequently published Annual Report or Interim Report expressly or impliedly modifies or supersedes such earlier statement, provided that any such modifying or superseding statement shall not form part of the listing particulars issued in compliance with the listing rules made under section 74 of the FSMA and (b) any documents incorporated by reference do not form part of the listing particulars issued in compliance with the listing rules made under section 74 of the FSMA.

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

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## SUMMARY

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

<b>Issuer</b>	Barclays Bank PLC.
<b>Holding Company</b>	Barclays PLC.
<b>Trustee</b>	The Bank of New York.
<b>Issue size</b>	U.S.\$1,000,000,000.
<b>Redemption</b>	The TONs are perpetual securities and have no maturity date. However, the TONs are redeemable in whole but not in part at the option of the Issuer, subject to the prior approval of the FSA and to the Auditors of the Issuer having reported to the Trustee within the previous six months that the Solvency Condition is met, at their principal amount together with any Outstanding Payments on 15 June, 2032 or any Coupon Payment Date thereafter.
<b>Interest</b>	The TONs bear interest at a rate of 6.86 per cent. per annum from (and including) 25 September, 2002 to (but excluding) 15 June, 2032, and thereafter at a rate, reset semi-annually, of 1.73 per cent. per annum above the London interbank offered rate for six-month U.S. dollar deposits.
<b>Coupon Payment Dates</b>	Except as described below, Coupon Payments will be payable on 15 June and 15 December in each year in respect of the period from (and including) 25 September, 2002 to (but excluding) 15 June, 2032, and thereafter, subject to adjustment for non-business days, on 15 June and 15 December in each year, save that the first payment shall be made on 15 December, 2002 in respect of the period from (and including) 25 September, 2002 to but excluding 15 December, 2002.
<b>Subordination</b>	The rights and claims of the TON Holders are subordinated to the claims of Senior Creditors. No payment of principal or interest in respect of the TONs may be made unless the Issuer is able to make such payment and still be solvent immediately thereafter. Upon any winding-up of the Issuer (except, in limited circumstances, a solvent winding-up), each TON Holder will, for the purpose only of calculating the amounts payable in respect of each TON, rank <i>pari passu</i> with the holders of RCIs and with the holders of the most senior class or classes of preference shares (if any) of the Issuer then in issue and in priority to all other Issuer shareholders, and the TON Holder's claim in the winding-up shall be limited to (other than in the case of a Solvent Winding-up (as defined herein)) the principal amount of the relevant TON (and no amounts will be payable in respect of any Coupon Amount) or (in the case of a Solvent Winding-up) the principal amount of the relevant TON (and amounts accrued or deferred and unpaid in respect of any Coupon Amount will be payable).



## **Deferral of Coupon Payments**

If the Issuer, at its sole discretion, determines, on the 20th business day prior to the date on which any Coupon Payment would, in the absence of deferral in accordance with Condition 4, be due and payable that it is, or payment of the relevant Coupon Payment will result in the Issuer being, in non-compliance with applicable Capital Regulations, the Issuer may elect to defer such Coupon Payment, subject to the restrictions described below. Such Deferred Coupon Payment shall be satisfied only on the date upon which the TONs are redeemed, but shall not be paid in any other circumstances. No interest will accrue on any Deferred Coupon Payments.

## **Restrictions following deferral of Coupon Payments**

If the Issuer defers a Coupon Payment for any reason as described above then (i) neither the Issuer nor the Holding Company may (a) declare or pay a dividend (other than a final dividend declared by the Shareholders (as defined herein) of the Holding Company before such Coupon Payment is so deferred, or a dividend paid by the Issuer to the Holding Company or a wholly-owned Subsidiary) on any of their respective ordinary shares or preference shares, or satisfy any payments in respect of interest on any RCI or (b) redeem, purchase, reduce or otherwise acquire any of their respective ordinary shares, preference shares or other securities, or any securities of any of their respective subsidiary undertakings benefiting from a guarantee from the Issuer or the Holding Company, ranking, as to the right of repayment of principal, or in the case of any such guarantee, as to the payment of sums under such guarantee, *pari passu* with or junior to the TONs (other than ordinary shares, preference shares or other securities held by the Holding Company or a wholly-owned Subsidiary), in either case until the Issuer next makes a Coupon Payment and (ii) any such Deferred Coupon Payment shall be satisfied only on the date upon which the TONs are redeemed and in accordance with the alternative coupon satisfaction mechanism.

## **Alternative coupon satisfaction mechanism**

Investors will always receive payments made in respect of TONs in cash. However, if the Issuer either (i) defers a Coupon Payment or (ii) the Issuer does not redeem the TONs on the First Reset Date, then the Issuer must satisfy any obligation it may have to make any such Deferred Coupon Payment (in the case of (i)) or all Payments falling due after the First Reset Date (in the case of (ii)) to TON Holders by raising subscription proceeds through the issue of its ordinary shares to a nominee appointed by the Holding Company and the Holding Company will issue Ordinary Shares which (with the proceeds of such issue being converted into U.S. dollars) will provide a cash amount which will be paid to the TON Holders in respect of the relevant Payment. The Calculation Agent will calculate in advance the number of ordinary shares in the Holding Company to be issued in order to enable the full amount of money due on the relevant payment date to TON Holders to be raised. The Issuer has agreed to fund any shortfall as at the relevant payment date arising on the issue of such shares or the conversion of the proceeds thereof into U.S. dollars either by payment of an amount equal to such shortfall or, at its election, through issuing additional ordinary shares as part of the operation of a similar share issue mechanism to that summarised above.

<b>Insufficiency</b>	Each of the Issuer and the Holding Company is required to keep available for issue enough of its shares as it reasonably considers would be required to satisfy at all times any Deferred Coupon Payment and, if the Issuer does not redeem the TONs on the First Reset Date, the next two Coupon Payments from time to time, using the alternative coupon satisfaction mechanism described above.
<b>Market Disruption Event</b>	If, in the opinion of the Issuer, a Market Disruption Event exists on or at any time after the 15th business day preceding any date upon which the Issuer is due to satisfy a payment using the alternative coupon satisfaction mechanism, the payment to TON Holders may be deferred until the Market Disruption Event no longer exists. Any such deferred payments shall bear interest at the then-current rate applicable to the TONs if the Market Disruption Event continues for 14 days or more.
<b>Suspension</b>	If, following any takeover offer or any reorganisation, restructuring or scheme of arrangement, Barclays PLC (or any successor ultimate holding company of the Issuer) ceases to be the Issuer's ultimate holding company, then such changes to the documentation relating to the TONs as determined by an independent investment bank to be appropriate in order to preserve substantially the economic effect, for the TON Holders, of a holding of the TONs will be made by the Issuer and the Trustee, and pending such changes the Issuer will be unable to satisfy payments using the alternative coupon satisfaction mechanism. If the investment bank is unable to determine appropriate amendments, as notified to the Issuer and the Trustee, the TONs will (subject to the prior consent of the FSA) be redeemed at the Suspension Redemption Price.
<b>Additional amounts</b>	The Issuer will pay additional amounts to TON Holders to gross up payments upon the imposition of United Kingdom withholding taxation, subject to customary exceptions.
<b>Exchange, variation or redemption for taxation reasons</b>	<p>The Issuer may, subject to the prior consent of the FSA, redeem all, but not some only, of the TONs at their principal amount together with any Outstanding Payments (as defined herein) in the event that for reasons outside its control it is required to pay additional amounts in respect of United Kingdom withholding taxation as provided in Condition 11 of the Terms and Conditions of the TONs, provided the Auditors of the Issuer have reported to the Trustee within the previous six months that the Solvency Condition is met.</p> <p>Upon the occurrence of certain other changes in the treatment of the TONs for taxation purposes, which changes affect payment of interest falling due (in the absence of a deferral) on or prior to 15 June, 2032 the Issuer may, subject to the prior consent of the FSA, exchange the TONs for, or vary the terms of the TONs so that they become, Upper Tier 2 Securities or, if such change in tax treatment also affects or would affect the Upper Tier 2 Securities and provided the Auditors of the Issuer have reported to the Trustee within the previous six months that the Solvency Condition is met, redeem all, but not some only, of the TONs at their Early Redemption Price together with any Outstanding Payments.</p>
<b>Exchange, variation or redemption for regulatory reasons</b>	The TONs will qualify as Tier 1 Capital for the purposes of the FSA's capital adequacy regulations. If at any time the TONs cease

	<p>to qualify as Tier 1 Capital, the Issuer may, subject to the prior consent of the FSA, exchange the TONs for, or vary the terms of the TONs so that they become, Upper Tier 2 Securities or, if such exchanged or varied securities do not or would not qualify as Upper Tier 2 Capital or certain other provisions apply, and provided the Auditors have reported to the Trustee within the previous six months that the Solvency Condition is met, redeem all, but not some only, of the TONs at their Early Redemption Price together with any Outstanding Payments.</p>
<b>Remedy for non-payment</b>	<p>The sole remedy against the Issuer available to the Trustee or any TON Holder for recovery of amounts owing in respect of any Payment or principal in respect of the TONs will be the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up.</p>
<b>Form</b>	<p>Registered. The Regulation S TONs will be represented by the Regulation S Global TON and the Rule 144A TONs will be represented by the Rule 144A Global TON. The Regulation S Global TON will be deposited outside the United States with, and registered in the name of, a nominee for a common depositary for Clearstream Banking, société anonyme (“<b>Clearstream</b>”) and Euroclear Bank S.A./N.V., as operator of the Euroclear System (“<b>Euroclear</b>”) on or about 25 September, 2002. The Rule 144A Global TON will be deposited with a custodian (the “<b>Custodian</b>”) for, and registered in the name of a nominee of, The Depository Trust Company (“<b>DTC</b>”) on or about 25 September, 2002. Interests of accountholders and participants in Euroclear, Clearstream or DTC in the TONs will be represented by book entries on the records of Euroclear, Clearstream, or DTC, as the case may be. Save in limited circumstances, TONs in definitive registered form will not be issued in exchange for interests in the Global TONs.</p>
<b>Listing</b>	<p>London.</p>
<b>Governing law</b>	<p>English.</p>
<b>Rating</b>	<p>The TONs are expected to be assigned an A+ rating by Standard &amp; Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc. and an Aa3 rating by Moody’s Investors Service, Inc. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.</p>
<b>Transfer restrictions</b>	<p>The TONs are subject to certain restrictions on transfer. See “Transfer Restrictions”.</p>
<b>Investment Considerations</b>	<p>Prospective investors in the TONs should carefully consider the information under “Investment Considerations” in conjunction with the other information included in this document.</p>



## INVESTMENT CONSIDERATIONS

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

### DEFERRAL

The Issuer may elect to defer any Coupon Payment on the TONs if, in its sole discretion, it determines that, on the 20th business day prior to the date on which such Coupon Payment would, in the absence of deferral, be due and payable, the Deferral Condition is satisfied, as more particularly described in “Terms and Conditions of the TONs — 4. Coupon Deferral”. If the Issuer does defer a Coupon Payment, such Deferred Coupon Payment will be satisfied only on the date on which the TONs are redeemed and in accordance with the alternative coupon satisfaction mechanism. Any such Deferred Coupon Payment will not bear interest, and neither the Issuer nor the Holding Company may (a) declare or pay a dividend (other than a final dividend declared by the Shareholders of the Holding Company before such payment is so deferred or a dividend paid by the Issuer to the Holding Company or a wholly-owned Subsidiary) on any of their respective ordinary shares or preference shares, or satisfy payments of interest in respect of RCLs or (b) redeem, purchase, reduce or otherwise acquire any of their respective ordinary shares, preference shares or other securities, or any securities of any of their respective subsidiary undertakings benefiting from a guarantee from the Issuer or the Holding Company, ranking, as to payment of principal, or in the case of any such guarantee, as to the payment of sums under such guarantee, equal with or junior to the TONs (other than ordinary shares, preference shares or other securities held by the Holding Company or a wholly-owned Subsidiary), in either case until the Issuer next makes a Coupon Payment.

### PERPETUAL SECURITIES

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

### REDEMPTION RISK

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

### NO LIMITATION ON ISSUING SECURITIES

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

### AVAILABILITY OF SHARES

If the Issuer is required to make a Deferred Coupon Payment or, if the Issuer does not redeem the TONs on the First Reset Date, the Issuer must use the alternative coupon satisfaction mechanism to satisfy its payment obligations. If a sufficient number of ordinary shares in the Issuer or the Holding Company are not available, then the Issuer’s payment obligation shall be suspended to the extent of such insufficiency until such time as a sufficient number of shares are available to satisfy the suspended payment obligation, as more particularly described in “Terms and Conditions of the TONs — 6. Alternative Coupon Satisfaction Mechanism — (d) Insufficiency”.

## **MARKET DISRUPTION EVENT**

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

## **RESTRICTED REMEDY FOR NON-PAYMENT**

In accordance with FSA requirements for subordinated capital, the sole remedy against the Issuer available to the Trustee or any TON Holder for recovery of amounts owing in respect of the TONs will be the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up and the TON Holder’s claim in such winding-up shall be limited to (other than in the case of a Solvent Winding-up) the principal amount of the relevant TON (and no amounts will be payable in respect of any Coupon Amount) or (in the case of a Solvent Winding-up) the principal amount of the relevant TON (and amounts accrued or deferred and unpaid in respect of such Coupon Amount will be payable).

## **LIQUIDITY**

Although application has been made for the TONs to be admitted to the Official List and admitted to trading on the London Stock Exchange, there can be no assurance that an active public market for the TONs will develop and, if such a market were to develop, the Managers are under no obligation to maintain such a market. The liquidity and the market prices for the TONs can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Issuer and other factors that generally influence the market prices of securities.

## TERMS AND CONDITIONS OF THE TONs

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

The TONs are constituted by the Trust Deed. The issue of the TONs was authorised pursuant to a resolution of a committee of the Board of Directors of the Issuer passed on 19 September, 2002. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed, the Agency Agreement and the Calculation Agency Agreement are available for inspection during normal business hours by the TON Holders at the principal office of the Trustee, being at the date hereof at 101 Barclay Street, New York, NY 10286, United States of America, and at the specified office of each of the Transfer Agents. The TON Holders 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, TITLE AND TRANSFER

#### (a) Form and Denomination

The TONs are serially numbered and in registered form in the Authorised Denominations without Coupons attached.

#### (b) Title

Title to the TONs will pass by registration in the register which the Issuer shall procure to be kept by the Registrar. Each TON Holder will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as the absolute owner of the relevant TON for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or its theft or loss or anything written on it) and no person will be liable for so treating the TON Holder.

#### (c) Transfer of TONs

A TON may be transferred in whole or in part in an Authorised Denomination upon the surrender of the TON to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or the specified office of any other Transfer Agent. In the case of a transfer of part only of a TON, a new TON in respect of the balance not transferred will be issued to the transferor.

#### (d) Delivery of new TONs

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

#### (e) Formalities free of charge

Exchange of TONs on transfer will be effected without charge by or on behalf of the Issuer or the Transfer Agents, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require in respect) of any tax or other governmental charges which may be imposed in relation to it.

#### (f) Closed periods

No TON Holder may require the transfer of a TON to be registered during the period of 15 days ending on the due date for any Payment on that TON.

### 2. STATUS AND SUBORDINATION

#### (a) Status

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

#### (b) Subordination

- (i) *Condition of Payment:* The rights and claims of the TON Holders are subordinated to the claims of Senior Creditors, in that the right to payments in respect of the TONs (including the issue of Issuer Shares in accordance with Condition 6) is conditional upon the Issuer being solvent at the time of payment (or issuing such Issuer Shares) by the Issuer and in that no

principal or Payments shall be due and payable in respect of the TONs (including the issue of Issuer Shares in accordance with Condition 6) except to the extent that the Issuer could make such payment (or issue such Issuer Shares) and still be solvent immediately thereafter. In these Terms and Conditions the Issuer shall be considered to be solvent if (i) it is able to pay its debts to Senior Creditors as they fall due and (ii) if the Auditors of the Issuer have reported to the Trustee within the previous six months that the Solvency Condition has been satisfied.

- (ii) *Solvency Claims:* Amounts representing any payments of principal or interest in respect of which the conditions referred to in Condition 2(b)(i) are not satisfied on the date upon which the same would otherwise be due and payable ("**Solvency Claims**") will be payable by the Issuer in a winding-up of the Issuer (in the case of a Solvency Claim relating to principal only) as provided in Condition 3 or on any redemption (subject to Condition 2(b)(i)). A Solvency Claim shall not bear interest.
- (iii) *Set-off:* Subject to applicable law, no TON Holder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer arising under or in connection with the TONs and each TON Holder shall, by virtue of his holding of any TON, be deemed to have waived all such rights of set-off, compensation or retention.

For the avoidance of doubt, if the Issuer would otherwise not be solvent for the purposes of the above Condition 2(b), any sums which would otherwise be payable in respect of the TONs will be available to meet the losses of the Issuer.

### 3. WINDING-UP

If at any time an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except in any such case for a solvent winding-up solely for the purpose of a reconstruction, amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer (as defined in the Trust Deed), the terms of which reconstruction, amalgamation or substitution have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as described in the Trust Deed)), there shall be payable by the Issuer in respect of each TON (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to a TON Holder if, on the day prior to the commencement of the winding-up and thereafter, such TON Holder were the holder of one of a class of preference shares in the capital of the Issuer having an equal right to a return of assets in the winding-up to and so ranking *pari passu* with the holders of the RCIs and with the holders of that class or classes of preference shares (if any) from time to time issued by the Issuer which have a preferential right to a return of assets in the winding-up over, and so rank ahead of, the holders of all other classes of issued shares for the time being in the capital of the Issuer, but ranking junior to the claims of Senior Creditors and junior to any notional class of preference shares in the capital of the Issuer by reference to which the amount payable in respect of any Junior Subordinated Debt in a winding-up of the Issuer is determined and senior to all other classes of issued shares (save as aforesaid) for the time being in the capital of the Issuer, on the assumption that the amount that such TON Holder was entitled to receive in respect of such preference share, on a return of assets in such winding-up, were an amount equal to (i) other than in the case of a Solvent Winding-up, the principal amount of the relevant TON (and, in any such case, there shall be no rights to any, and accordingly no amounts will be payable in respect of any, Coupon Amount, including for the avoidance of doubt, any Deferred Coupon Payment) or (ii) in the case of a Solvent Winding-up, the principal amount of the relevant TON together with amounts accrued or deferred and unpaid in respect of any Coupon Amount.

### 4. COUPON DEFERRAL

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

If the Issuer has given such notice then (1) from the date of such notice until the Issuer next makes a Coupon Payment, neither the Issuer nor the Holding Company respectively may (a) declare or pay a dividend (other than a final dividend declared by the Shareholders of the Holding Company before such Coupon Payment is so deferred, or a dividend paid by the Issuer to the Holding Company or to another wholly-owned

Subsidiary) on any of their respective ordinary shares or preference shares, or satisfy any payments of interest in respect of any RCI or (b) redeem, purchase, reduce or otherwise acquire any of their respective ordinary shares, preference shares or other securities, or any securities of any of their respective subsidiary undertakings benefiting from a guarantee from the Issuer or the Holding Company, ranking, as to the right of repayment of principal, or in the case of any such guarantee, as to the payment of sums under such guarantee, *pari passu* with or junior to the TONs (other than ordinary shares, preference shares or other securities held by the Holding Company or a wholly-owned Subsidiary) and (ii) any such Deferred Coupon Payment shall be satisfied only in accordance with Condition 6. No amount will be payable by way of interest on any such deferred Payment, save as provided in Condition 6(e).

## **5. COUPON PAYMENTS**

### **(a) Coupon Payment Dates**

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

### **(b) Coupon Rate**

(i) The Coupon Rate in respect of the period from (and including) the Issue Date to (but excluding) the First Reset Date is 6.86 per cent. per annum, and the first Coupon Payment in respect of the period from (and including) the Issue Date to (but excluding) the first Coupon Payment Date will amount to U.S.\$15.24 per U.S.\$1,000 principal amount of the TONs.

(ii) The Coupon Rate in respect of each Reset Period shall be the aggregate of 1.73 per cent. per annum and:

(aa) the offered rate (rounded, if necessary, up to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) for six-month deposits in U.S. dollars as at 11.00a.m. (London time) on the Coupon Determination Date in question as appears on the display designated as page “3750” on the Moneyline Telerate Service (or such other page or service as may replace it for the purpose of displaying such information) as determined by the Registrar;

(bb) if such offered rate does not appear, the arithmetic mean (rounded, if necessary, up to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of offered quotations to leading banks in the London interbank market for six-month Euro-dollar deposits as at 11.00a.m. (London time) on the Coupon Determination Date in question obtained by the Registrar from the principal London office of the Reference Banks, provided at least two of the Reference Banks provide the Registrar 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 Registrar 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-dollar lending rates which major banks in the London interbank market selected by the Registrar are quoting at approximately 11.00a.m. (London time) on the relevant Coupon Determination Date to leading London interbank market banks for a period of six months,

except that, if the banks so selected by the Registrar under sub-paragraph (cc) above are not quoting as mentioned above, the Coupon Rate shall be the Coupon Rate in effect for the last preceding Coupon Period.

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

The Registrar will, upon determining the Coupon Rate pursuant to Condition 5(b)(ii), calculate the Coupon Amount in respect of each U.S.\$1,000 principal amount and cause the Coupon Rate and each Coupon Amount payable in respect of a Coupon Period to be notified to the Trustee, the Issuer,



the Calculation Agent and the London Stock Exchange and to be notified to the TON Holders as soon as possible after their determination but in no event later than the fourth business day thereafter.

Each Coupon Amount in respect of any Coupon Period ending prior to the First Reset Date shall be calculated by applying the Coupon Rate to the principal amount of the relevant TON and, in respect of any period of less than a complete year (save for a semi-annual Coupon Period) such Coupon Amount shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed, and rounding the resultant figure to the nearest cent (half a cent being rounded up).

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

**(d) Determination or Calculation by Trustee**

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

**(e) Reference Banks**

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

**6. ALTERNATIVE COUPON SATISFACTION MECHANISM**

**(a) Alternative Coupon Satisfaction Mechanism**

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

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

**(b) Issue of shares**

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

- (i) by close of business on or before the 7th business day prior to the Redemption Date, in the case of Deferred Coupon Payments, or the relevant Coupon Payment Date, in the case of Payments after the First Reset Date, the Issuer will issue to the Nominee 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 Nominee will transfer the Payment Issuer Shares to the Holding Company and the Holding Company will issue to Placees 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 Calculation Agent has agreed to use reasonable endeavours to procure Placees for such Payment Ordinary Shares. The Calculation Agent has further agreed to exchange the proceeds of such issue into U.S. dollars at prevailing market exchange rates and deliver such exchanged proceeds to, or hold such exchanged proceeds to the order of, the Trustee, who shall pay or procure that its agent pays such proceeds as it holds in respect of the relevant Payment on its due date to the Registrar for application in accordance with Condition 6(c).

If, after the operation of the above procedures there would, in the opinion of the Calculation Agent, be a shortfall on the date on which the relevant Payment is due, the Issuer and the Holding Company shall respectively issue further Issuer Shares and Ordinary Shares in accordance with the provisions of the Trust Deed to ensure that a sum at least equal to the relevant Payment is available to make the Payment in full on the relevant due date, provided that if, despite the operation of the aforementioned provisions, such a shortfall exists on the relevant due date, the Issuer may in accordance with the provisions of the Trust Deed either pay an amount equal to such shortfall as soon as practicable to the Trustee or continue, together with the Holding Company, to respectively issue Issuer Shares and Ordinary Shares until the Registrar shall have received funds equal to the full amount of such shortfall.

**(c) Issue satisfies payment**

Where the Issuer is required to make a Payment hereunder by issuing Issuer Shares and issues such shares in accordance with this Condition 6, such issue shall release and discharge the Issuer from the requirement to satisfy the relevant Payment or, as the case may be, in the circumstances referred to in (d) below, the relevant part of such Payment if made in accordance with this Condition 6. The proceeds of issue of Payment Ordinary Shares issued in accordance with this Condition 6, as exchanged into U.S. dollars as set out in (b)(iii) above, shall be paid by the Registrar, as agent of the Trustee, to the TON Holders in respect of the relevant payment.

**(d) Insufficiency**

If the Issuer is to satisfy a Payment in accordance with this Condition 6 and either the Issuer or the Holding Company does not, on the date when the number of such shares required to be issued is determined in accordance with this Condition 6, have a sufficient number of, respectively, Issuer Shares or Ordinary Shares available for issue, then the Issuer or, as the case may be, the Holding Company shall notify the Issuer or the Holding Company, as the case may be, and the Trustee, the Registrar, the Calculation Agent and the TON Holders that all or part, as the case may be, of the relevant Payment cannot be so satisfied due to the events described in this paragraph, in which case the same shall be satisfied following the date of the next annual general meeting or extraordinary general meeting of shareholders of the Issuer or, as the case may be, the Holding Company at which a resolution is passed authorising a sufficient number of Issuer Shares or Ordinary Shares to be issued to satisfy all or such part of the relevant Payment, provided that if the number of Issuer Shares or Ordinary Shares authorised to be issued at any such meeting is insufficient to satisfy all or such part of the relevant Payment then those Issuer Shares or Ordinary Shares, as the case may be, so authorised to be issued shall be applied by the Issuer in part satisfaction of all or such part of the relevant Payment. Following the passage of such resolution, the Issuer shall notify the Trustee, the Registrar, the Calculation Agent and the TON Holders of the date upon which the relevant Payment or, as the case may be, the part thereof is to be made in accordance herewith on not less than 16 business days’ notice. If, in the case of an insufficiency of Issuer Shares, the Issuer does not hold an annual or extraordinary general meeting at which a resolution to make a sufficient number of Issuer Shares so available is passed within 6 weeks of giving the above first-mentioned notice, the Trustee shall by notice require the Issuer to convene an extraordinary general meeting at which such a resolution shall be proposed on a date falling within 4 weeks of such notice from the Trustee. If, in the case of an insufficiency of Ordinary Shares, the Holding Company does not hold an annual general meeting within 12 months of giving the above first-mentioned notice, at which a resolution to make a sufficient number of Ordinary Shares so available is proposed, the Trustee shall by notice require the Holding Company to convene an extraordinary general meeting at which such a resolution shall be proposed on a date falling within 10 weeks of such notice from the Trustee. In the event that any

such resolution proposed at any such annual general meeting or extraordinary general meeting is rejected, such resolution will then be proposed at the next following annual general meeting of the Issuer or, as the case may be, the Holding Company and, if at such annual general meeting such proposal is rejected again, from the date of such second rejection until such time as such resolution has been passed by the shareholders of the relevant company neither the Issuer nor the Holding Company respectively may (a) declare or pay a dividend (other than a final dividend declared by the Shareholders of the Holding Company before such second rejection, or a dividend paid by the Issuer to the Holding Company or to another wholly-owned Subsidiary) on any of their respective ordinary shares or preference shares or satisfy any payments of interest in respect of any RCI or (b) redeem, purchase, reduce or otherwise acquire any of their respective ordinary shares, preference shares or other securities, or any securities of any of their respective subsidiary undertakings benefiting from a guarantee from the Issuer or the Holding Company, ranking, as to the right of repayment of principal, or in the case of any such guarantee, as to the payment of sums under such guarantee, *pari passu* with or junior to the TONs (other than ordinary shares, preference shares or other securities held by the Holding Company or a wholly-owned Subsidiary).

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

**(e) Market Disruption**

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

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

**7. EXCHANGE, VARIATION, REDEMPTION AND PURCHASE**

**(a) No Fixed Redemption Date**

The TONs are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Conditions 2 and 3 and without prejudice to the provisions of Condition 12) only have the right to repay them in accordance with the following provisions of this Condition 7 or in the circumstances provided for in Condition 8(d).

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

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

Provided the Auditors of the Issuer have reported to the Trustee within the previous six months that the Solvency Condition is met, the Issuer may, by giving not less than 30 nor more than 60 days' notice to the TON Holders in accordance with Condition 16 and to the Registrar, the Trustee and the Calculation Agent, which notice shall be irrevocable, elect to redeem all, but not some only, of the TONs on any Reset Date at their principal amount together with any Outstanding Payments.

**(c) Exchange, Variation or Redemption due to Taxation**

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

- (i) the Issuer would, for reasons outside its control, be unable to make such payment without being required to pay additional amounts as provided in Condition 11 (and such requirement cannot be avoided by the Issuer taking reasonable measures available to it); or
- (ii) payments of amounts in respect of interest on the TONs falling due on or prior to the First Reset Date, including, for the avoidance of doubt, the issue of Issuer Shares pursuant to Condition 6, may be treated as “distributions” within the meaning of Section 832(1) of the Income and Corporation Taxes Act 1988 (or such other Section and/or Act as may from time to time supersede or replace Section 832(1) of the Income and Corporation Taxes Act 1988 for the purposes of such definition) and such requirement or circumstance cannot be avoided by the Issuer taking such measures as it (acting in good faith) deems appropriate; or
- (iii) as a result of any change in, or prospective or actual amendment to, the laws of the United Kingdom or any political subdivision or authority thereof having power to tax, or any change in the application of official or generally published interpretation of such laws, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such law or regulations that differs from the previously generally accepted position in relation to similar transactions or which differs from any specific written confirmation given by a tax authority in respect of the TONs, which change or amendment becomes effective or is to take effect, on or after 20 September, 2002, there is more than an insubstantial risk that the Issuer will not obtain relief for the purposes of United Kingdom corporation tax for any payment of interest falling due on or prior to the First Reset Date, including, for the avoidance of doubt, the issue of Issuer Shares pursuant to Condition 6 in respect of the TONs, or as a result of the TONs being in issue, the Issuer may be unable to claim or surrender losses as group relief and such requirement or circumstance cannot be avoided by the Issuer taking such measures as it (acting in good faith) deems appropriate,

then:

- (aa) in any case where paragraph (i) above applies, the Issuer may, provided that the Auditors have reported to the Trustee within the previous six months that the Solvency Condition is met, having given not less than 30 nor more than 60 days’ notice to the Trustee, the Registrar, the Calculation Agent and, in accordance with Condition 16, the TON Holders (which notice shall be irrevocable) redeem in accordance with these Terms and Conditions, all, but not some only, of the TONs at their principal amount together with any Outstanding Payments on any Coupon Payment Date; or
- (bb) in any case where either of paragraphs (ii) or (iii) above applies, the Issuer may (subject to the prior consent of the Financial Services Authority but without any requirement for the consent or approval of the TON Holders or, save as specified below, the Trustee) having given not less than 30 nor more than 60 days’ notice to the Trustee, the Registrar, the Calculation Agent and, in accordance with Condition 16, the TON Holders (which notice shall be irrevocable) exchange the TONs for, or vary the terms of the TONs so that they become, Upper Tier 2 Securities on terms which preserve any existing rights under these Terms and Conditions to Outstanding Payments. If any of the conditions listed in paragraphs (ii) or (iii) above apply or continue to apply to Upper Tier 2 Securities for or into which the TONs have been exchanged or varied, or if the Issuer shows to the satisfaction of the Trustee that any of these conditions would apply if such exchange or variation were to take place, or if the consent of the Financial Services Authority is not given, the Issuer may, provided that the Auditors have reported to the Trustee within the previous six months that the Solvency Condition is met, having given not less than 30 nor more than 60 days’ notice to the Trustee, the Registrar, the Calculation Agent and, in accordance with Condition 16, the TON Holders (which notice shall be irrevocable) redeem in accordance with these Terms and Conditions, all, but not some only, of the TONs or any such Upper Tier 2 Securities for or into which they have been exchanged or varied at their Early Redemption Price together with any Outstanding Payments on any Coupon Payment Date. The Trustee shall use its reasonable endeavours to assist the Issuer in the exchange or variation of the TONs for or into Upper Tier 2 Securities, provided that the



Trustee shall not be obliged to participate or assist in any such exchange or variation if, in its opinion, the terms of the securities into which the TONs are to be exchanged or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the TONs as provided above.

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

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

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

**(e) Purchases**

The Issuer or any other Subsidiary may (subject to the prior consent of the Financial Services Authority and provided the Auditors have reported to the Trustee within the previous six months that the Solvency Condition is met) at any time purchase TONs in any manner and at any price.

**(f) Cancellation**

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

## **8. PAYMENTS**

**(a) Method of Payment**

- (i) Payments of principal (including amounts in respect of any Early Redemption Price) in respect of the TONs will be made by U.S. dollar cheque drawn on, or by transfer to a U.S. dollar account maintained by the payee with, a bank in New York City against presentation and surrender of such TONs at the specified office of any of the Transfer Agents.
- (ii) Payments of Coupon Amounts in respect of the TONs will be paid to the persons shown on the Register at the close of business on the relevant Record Date. Payments of Coupon Amounts will be made by U.S. dollar cheque drawn on a bank in New York City and mailed to the holder



(or to the first-named of joint holders) of such TON at his address appearing in the register maintained by the Registrar. Upon application by the holder to the specified office of any Transfer Agent not less than 15 days before the due date for any payment of Coupon Amounts in respect of a TON, such payment may be made by transfer to a U.S. dollar account maintained by the payee with a bank in New York City.

- (iii) The names of the initial Transfer 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 Transfer Agent and to appoint additional or other Transfer Agents provided that it will at all times maintain (aa) a Transfer Agent having a specified office outside the United Kingdom and (bb) for so long as the TONs are listed on the Official List of the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 and admitted to trading on the London Stock Exchange, a Transfer Agent having a specified office in London. Notice of any such termination or appointment and of any change in the specified offices of the Transfer Agents will be given to the TON Holders in accordance with Condition 16.
- (b) **Payments subject to Fiscal Laws**  
Without prejudice to the terms of Condition 11, all payments made in accordance with these Terms and Conditions shall be made subject to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses shall be charged to the TON Holders in respect of such payments.
- (c) **Payments on Payment Business Days**  
A TON may only be presented (if so required) for payment on a day which is a Payment Business Day. No further interest or other payment will be made as a consequence of the day on which the relevant TON may be presented for payment under this paragraph falling after the due date.
- (d) **Suspension**  
If, following any takeover offer made under the City Code on Take-overs and Mergers or any reorganisation, restructuring or scheme of arrangement, the holding company which, immediately prior to such event, was the Ultimate Owner ceases to be the Ultimate Owner, then the Issuer shall as soon as practicable give notice to the Trustee, the Calculation Agent and the TON Holders, whereupon the Issuer's ability to satisfy a Payment by the method contemplated by Condition 6 shall be suspended (such event being a "Suspension"). In such event an independent investment bank appointed by the Issuer (at the Issuer's expense) and approved by the Trustee shall determine, subject to the requirements that (i) the Issuer shall not be obliged to reduce its net assets, (ii) no amendment may be proposed or made which would alter the regulatory capital treatment of the TONs for banking capital adequacy purposes without the prior consent of the Financial Services Authority, and (iii) no such amendment may be made which would, in the Trustee's opinion, impose more onerous obligations on it without its consent, what amendments (if any) to these Terms and Conditions, the Trust Deed and any other relevant documents are appropriate in order to preserve substantially the economic effect, for the TON Holders, of a holding of the TONs prior to the Suspension. Upon any such determination being reached and notified to the Trustee and the Issuer by such investment bank, the Trustee and the Issuer shall, pursuant to the terms of the Trust Deed and without the consent of the TON Holders, effect any necessary consequential changes to these Terms and Conditions and the Trust Deed and any other relevant documents, whereupon the Issuer's right to satisfy a Payment by the method contemplated in Condition 6 shall no longer be subject to the Suspension.  
  
If, after using all reasonable endeavours, such investment bank is unable to formulate such amendments, it shall so notify the Issuer, the Holding Company, the previous Ultimate Owner (if not the Holding Company), the new Ultimate Owner, the Trustee, the Registrar and the Calculation Agent and each TON shall be redeemed by the Issuer, following notice to the TON Holders by the Issuer of such redemption as soon as practicable after receipt of the consent of the Financial Services Authority to such redemption, at the Suspension Redemption Price, together with interest accrued on such TON until such date of redemption and, any Outstanding Payments which have not otherwise been satisfied in accordance with these Terms and Conditions, not later than the 60th business day following the giving of such notice by the Issuer to the TON Holders. Such redemption will, unless otherwise agreed by the Issuer and the Trustee, be effected through the issue of Issuer

Shares, such Issuer Shares to be transferred to the new Ultimate Owner in consideration for which the new Ultimate Owner issues and transfers its ordinary shares (or share capital of an equivalent class) in accordance, *mutatis mutandis*, with Condition 6 (with references to the Payment Ordinary Shares being construed as references to such ordinary shares or equivalent share capital of the new Ultimate Owner which, when sold, provide a net cash amount (converted into U.S. dollars) of not less than the redemption amount so payable by the Issuer).

## 9. PRE-EMPTION

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

The Holding Company shall, from time to time, keep available for issue such number of Ordinary Shares as it reasonably considers would be required to be issued in order to satisfy the requirement to issue Payment Ordinary Shares in accordance with Condition 6 in respect of Deferred Coupon Payments (if any) and, after the First Reset Date, the next two Coupon Payments from time to time.

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

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

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

## 10. NON-PAYMENT WHEN DUE

*Notwithstanding any of the provisions below in this Condition 10, the right to institute winding-up proceedings is limited to circumstances where payment has become due. Pursuant to Condition 2(b), no principal or Payment will be due if the Solvency Condition is not satisfied, or if the Issuer would not otherwise be solvent. Also, in the case of any Coupon Payment, such Payment will not be due if the Issuer has elected to defer that Coupon Payment pursuant to Condition 4 or if the circumstances referred to in any of Conditions 6(d), 6(e) or 8(d) then apply. The Trust Deed contains provisions entitling the Trustee to claim from the Issuer, inter alia, the fees, expenses and liabilities incurred by it in carrying out its duties under the Trust Deed. The restrictions on commencing proceedings described below will not apply to any such claim.*

- (a) If the Issuer shall not make payment in respect of the TONs (in the case of payment of principal (including amounts in respect of any Early Redemption Price)) for a period of 7 days or more after the due date for the same or (in the case of any Coupon Payment, Deferred Coupon Payment or any payment under Clause 2.6 of the Trust Deed in respect of a Payment shortfall) shall not make payment for a period of 14 days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed and the TONs 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 or the TONs (other than for the payment of any principal or satisfaction of any Payments in respect of the TONs, or any payment under Clause 2.6 of the Trust Deed) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.
- (c) The Trustee shall not be bound to take any of the actions referred to in paragraph (a) or (b) above against the Issuer to enforce the terms of the Trust Deed or the TONs unless (i) it shall have been so requested by an Extraordinary Resolution of the TON Holders or in writing by the holders of at least one-fifth in principal amount of the TONs then outstanding (as defined in the Trust Deed) and (ii) it shall have been indemnified to its satisfaction.

- (d) No TON Holder shall be entitled to proceed directly against the Issuer or to institute proceedings for the winding-up of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the TON Holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise. No remedy against the Issuer shall be available to the Trustee or any TON Holder (i) for the recovery of amounts owing in respect of the TONs (including any payment under Clause 2.6 of the Trust Deed), other than the institution of proceedings for the winding-up of the Issuer and/or proving in such winding-up and (ii) for the breach of any other term under the Trust Deed or the TONs, other than as provided in paragraph (b) above.

## **11. TAXATION**

All payments by the Issuer of principal (including amounts in respect of any Early Redemption Price), Coupon Payments, Deferred Coupon Payments and Solvency Claims in respect of the TONs will be made without withholding of or deduction for, or on any account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the United Kingdom or any political subdivision thereof or by any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by TON Holders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the TONs in the absence of such withholding or deduction, except that no such additional amounts shall be payable in relation to any payment with respect to any TON:

- (a) to a TON Holder (or to a third party on behalf of a TON Holder) where such TON Holder is liable to such taxes, duties, assessments or governmental charges in respect of such TON by reason of his having some connection with the United Kingdom other than the mere holding of such TON; or
- (b) to a TON Holder (or to a third party on behalf of a TON Holder) unless it is proved to the satisfaction of the Registrar that the TON Holder would not be able to avoid such withholding or deduction by satisfying any statutory requirements and/or by making a declaration of non-residence or other similar claim for exemption but, in either case, fails to do so; or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

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

## **12. PRESCRIPTION**

Claims against the Issuer for the payment of principal (including amounts in respect of any Early Redemption Price) and Payments in respect of the TONs, shall become prescribed unless made within a period of 10 years in the case of principal and premium and five years in the case of Payments from the Relevant Date relating thereto.

## **13. MEETINGS OF TON HOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION**

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

The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the TONs for the time being outstanding, or at any adjourned such meeting one or more persons being or representing TON Holders whatever the principal amount of the TONs so held or represented, except that at any meeting the business of which includes the modification of certain of these Terms and Conditions (including, *inter alia*, the provisions regarding subordination referred to in Conditions 2 and 3, the terms concerning currency and due dates for payment of principal (including amounts in respect of any Early Redemption Price) or Coupon Payments in

respect of the TONs and reducing or cancelling the principal amount of any TON or the Coupon Rate in respect of such TON) and certain other provisions of the Trust Deed, the quorum will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in principal amount of the TONs for the time being outstanding.

On a poll vote at any such meeting persons being or representing TON Holders shall have one vote in respect of each U.S. \$1,000 principal amount of the TONs held or represented.

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

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

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

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

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

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

#### **14. REPLACEMENT OF THE TONS**

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

#### **15. THE TRUSTEE**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking any action unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Holding Company, the Issuer or any other Subsidiary without accounting for any profit resulting therefrom. The Trustee is entitled under the Trust Deed to rely on reports and certificates from the Auditors whether or not addressed to the Trustee and whether or not such report or certificate or any engagement letter or other document entered into by the Trustee and the Auditors in connection therewith contains any limitation of the liability of the Auditors and whether by reference to a monetary cap or otherwise.



## 16. NOTICES

Notices to TON Holders will be valid if published in a leading newspaper having general circulation in London (expected to be the *Financial Times*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

## 17. FURTHER ISSUES

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

## 18. CALCULATION AGENT AND REGISTRAR

The Issuer will procure that there shall at all times be a Calculation Agent and Registrar so long as any TON is outstanding. If either the Calculation Agent or Registrar is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Terms and Conditions or the Calculation Agency Agreement or the Agency Agreement as appropriate, the Issuer shall appoint, on terms acceptable to the Trustee, an independent investment bank acceptable to the Trustee to act as such in its place. Neither the termination of the appointment of a Calculation Agent or the Registrar nor the resignation of either will be effective without a successor having been appointed.

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

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

## 19. GOVERNING LAW

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

## 20. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the TONs under the Contracts (Rights of Third Parties) Act 1999.

## 21. DEFINITIONS

In these Terms and Conditions:

“**Agency Agreement**” means the agency agreement dated 25 September, 2002 between the Issuer, the Trustee and the Transfer Agents, relating to the TONs under which each transfer 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 U.S.\$1,000 and integral multiples thereof;

**“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 banks and foreign exchange markets settle payments in London, New York and the city in which the Registrar is located;

**“Calculation Agency Agreement”** means the calculation agency agreement dated 25 September, 2002 between the Issuer, the Holding Company, the Trustee and the Calculation Agent, relating to the TONs under which the Calculation Agent agrees to perform the duties required of it under these Terms and Conditions;

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

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

**“Coupon Amount”** means, in respect of a TON, the amount of interest payable for the relevant Coupon Period on such TON in accordance with Condition 5;

**“Coupon Determination Business Day”** means a day, other than a Saturday or Sunday, on which banks and foreign exchange markets settle payments in London;

**“Coupon Determination Date”** means, in relation to each Reset Period, the second Coupon Determination Business Day prior to the commencement of such Reset Period;

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

**“Coupon Payment Date”** means (i) in respect of the period from the Issue Date to (and including) the First Reset Date, 15 June and 15 December in each year, starting 15 December, 2002 and (ii) after the First Reset Date, 15 June and 15 December in each year, starting 15 December, 2032, provided that if any Coupon Payment Date after the First Reset Date would otherwise fall on a day which is not a business day, it shall be postponed to the next day which is a business day;

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

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

**“Day Count Fraction”** means 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 stock exchange or other market on which the Reference Bond is at the relevant time listed or traded is ordinarily open for the trading of securities;

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

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

**“Early Redemption Price”** means, in respect of each TON, the higher of (a) the denomination of such TON and (b) the denomination of such TON multiplied by the price, expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards), at which the gross redemption yield (as calculated by the Calculation Agent) on the TONs, 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 1.5 per cent., on the basis of the middle market price of the Reference Bond prevailing at 11.00 a.m. (New York time) on such dealing day;

**"First Reset Date"** means 15 June, 2032;

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

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

**"Issue Date"** means 25 September, 2002, being the date of initial issue of the TONs;

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

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

**"Junior Subordinated Debt"** means the Issuer's outstanding Undated Floating Rate Primary Capital Notes Series 1, 2 and 3, 9.875% Undated Subordinated Notes, 9% Permanent Interest Bearing Capital Bonds, 7.875% Undated Subordinated Notes, 7.125% Undated Subordinated Notes, 6.875% Undated Subordinated Notes, 6.5% Undated Subordinated Notes, 6.375% Undated Subordinated Notes, 6.125% Undated Subordinated Notes and any other securities constituted by a Trust Deed dated 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 plc;

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

**"Nominee"** means a person approved by the Trustee and appointed by the Holding Company on such terms as the Holding Company shall direct for the purposes of holding Issuer Shares pursuant to Condition 6;

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

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

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

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

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

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

**"Placees"** means the placees and all other subscribers (including where the context so requires, their nominees) who have agreed to subscribe for Ordinary Shares under any arrangement made by the

Calculation Agent for the purpose of placing or otherwise procuring subscribers for Ordinary Shares in accordance with the terms of the Calculation Agency Agreement;

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

“**Record Date**” means with respect to the payment of a Coupon Amount, the fifteenth day before the due date for the payment of such Coupon Amount;

“**Redemption Date**” means such date of redemption of the TONs pursuant to Conditions 7(b), 7(c), 7(d) or 8(d) or, in the case of a Solvent Winding-up, the date upon which the TONs shall fall to be repaid in accordance with Condition 3;

“**Reference Bank**” means the financial institutions appointed as such by the Issuer pursuant to Condition 5(e);

“**Reference Bond**” means, in relation to any calculation of the Early Redemption Price or Suspension Redemption Price, the 5.375 per cent. U.S. Treasury Security due 15 February, 2031, or if such security is no longer in issue, such other United States government bond as the Calculation Agent may, with the advice of the Reference Dealers, determine to be appropriate for determining the Early Redemption Price or Suspension Redemption Price as the case may be;

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

“**Registrar**” means the registrar appointed pursuant to the Agency Agreement;

“**Relevant Date**” means (i) in respect of any payment other than a Solvency Claim in a winding-up of the Issuer, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Registrar or the Trustee on or prior to such date, the “**Relevant Date**” means the date on which such moneys shall have been so received and notice to that effect shall have been given to the TON Holders in accordance with Condition 16, and (ii) in respect of a Solvency Claim in a winding-up of the Issuer, the date which is one day prior to the commencement of the winding-up;

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

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

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

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

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

the “**Solvency Condition**” shall be satisfied in relation to the Issuer if its Assets exceed its Liabilities;

“**Solvent Winding-up**” means a winding-up of the Issuer in circumstances when at the commencement of such winding-up it is determined that its Assets exceeds its Liabilities, assuming for such purpose that all Outstanding Payments as at the time of such determination constitute part of the Liabilities of the Issuer;

“**Subsidiary**” means each subsidiary for the time being of the Holding Company within the meaning of Section 736 of the Companies Act 1985;

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

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

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

“**Suspension Redemption Price**” means, in respect of each TON, the higher of (a) the denomination of such TON and (b) the denomination of such TON multiplied by the price, expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards), at which the gross redemption yield (as calculated by the Calculation Agent) on the TONs, if they were to be purchased at such price on the third dealing day prior to the date fixed for redemption, would be equal to the gross redemption yield on such dealing day of the Reference Bond plus 0.50 per cent., on the basis of the middle market price of the Reference Bond prevailing at 11.00 a.m. (New York time) on such dealing day;

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

“**TON Holder**” means the person in whose name a TON is registered;

“**TONs**” means the U.S.\$1,000,000,000 6.86 per cent. Callable Perpetual Core Tier One Notes of the Issuer, and such expression shall include, unless the context otherwise requires, any further notes issued pursuant to Condition 17 and forming a single series with the TONs;

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

“**Trust Deed**” means the trust deed dated 25 September, 2002 between the Issuer, the Holding Company and the Trustee, relating to the TONs;

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

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

“**Upper Tier 2 Capital**” has the meaning ascribed to it in the Financial Services Authority’s Interim Prudential Sourcebook for Banks or any successor publication replacing such guide;

“**Upper Tier 2 Securities**” means securities of the Issuer that have substantially similar terms as the TONs save that 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.

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#### USE OF PROCEEDS

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The net proceeds of the issue of the TONs are estimated to amount to U.S.\$990,000,000 and will be used for the development and expansion of the business of the Issuer and its subsidiaries and further to strengthen the capital base of the Issuer.

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

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The TONs will be represented initially by a Regulation S Global TON and a Rule 144A Global TON both in registered form which will be registered in the name of a nominee for a common depository for Clearstream and Euroclear or a nominee thereof and Cede & Co., as nominee for DTC, respectively, on or about 25 September, 2002. Upon deposit of the Global TONs with a common depository for Clearstream and Euroclear and the Custodian for DTC, Clearstream, Euroclear and DTC, as appropriate, will credit each relevant accountholder/participant with a principal amount of TONs equal to the principal amount thereof for which it has subscribed and paid.

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

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

For so long as any of the TONs are represented by a Global TON, the registered holder of the Global TON may, except as ordered by a court of competent jurisdiction or as required by law, be treated by the Issuer, the Trustee and the Transfer 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 expressions “**TON Holder**” and “**holder of TONs**” and related expressions shall be construed accordingly. Interests in TONs which are represented by a Global TON will only be transferable in accordance with the rules and procedures for the time being of Clearstream, Euroclear and/or DTC, as the case may be.

### EXCHANGE

Interests in the Global TONs will be exchangeable in whole but not in part (free of charge to the holder) for definitive TONs (a) if, in the case of the Regulation S Global TON, Clearstream 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 to cease business permanently or in fact does so and no Alternative Clearing System is available, by such holder giving notice to the Registrar or (b) if, in the case of the Rule 144A Global TON, DTC notifies the Issuer that it has ceased to be a “clearing agency” registered under the Exchange Act or that it is no longer willing to discharge its responsibilities as depository, and the Issuer is unable to locate a qualified successor within 90 days of such notice, or (c) if the Issuer would suffer a material disadvantage in respect of the TONs 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 TONs in definitive form and a certificate to such effect signed by one Director of the Issuer is delivered to the Trustee, by the Issuer giving notice to the Registrar and the TON Holders of its intention to exchange the Global TONs for definitive TONs on or after the Global Exchange Date (as defined below) specified in the notice.

On or after the Global Exchange Date the holder of the Global TONs shall surrender them to or to the order of the Registrar. In exchange for the Global TONs, the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive TONs.

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

“**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 Registrar is located and except in the case of exchange pursuant to (a) above in the cities in which Euroclear and Clearstream or, if relevant, the Alternative Clearing System are located and except in the case of exchange pursuant to (b) above in the city in which DTC or any qualified successor is located.

### NOTICES

So long as the Global TONs are held on behalf of Euroclear or Clearstream or an Alternative Clearing System and DTC, notices required to be given to the TON Holders may be given by delivery of the relevant notice to Euroclear and/or Clearstream or, as the case may be, the Alternative Clearing System and DTC, rather than by publication as required by the Terms and Conditions of the TONs, subject to any applicable regulatory and stock exchange requirements.



## **MEETINGS**

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

## **PURCHASE AND CANCELLATION**

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

## **TRUSTEE'S POWERS**

In considering the interests of TON Holders while title to the TONs is registered in the name of a nominee for any one or more of Euroclear, Clearstream, DTC 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 Global TONs and may consider such interests on the basis that such accountholders were the holder of the Global TONs.

### BUSINESS

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

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

On 1 August, 2002 the Group announced an unaudited consolidated profit before taxation for the six months ended 30 June, 2002 of £1,749 million, after charging net credit risk provisions of £713 million. The profit before taxation for the corresponding period of 2001 was £1,862 million, after net credit risk provisions of £498 million.

The profit before taxation for the six months ended 30 June, 2002 has been stated to include the coupon on RCLs in “Interest payable”, as per note 3 on page 37 and for the implementation of FRS 19, “Deferred Tax”. The full year figures quoted above are as extracted from the audited consolidated statements of the Group and have not been restated.

## CAPITALISATION AND INDEBTEDNESS

The following table sets out the authorised and issued share capital of the Issuer and the Group shareholders' funds and indebtedness and contingent liabilities as at 30 June, 2002:

	<i>As of 30 June 2002 million</i>
<b>Share capital of the Issuer</b>	
Authorised ordinary share capital – shares of £1 each .....	3,000
Authorised preference share capital – shares of U.S.\$0.01 each <sup>1</sup> .....	<u>150</u>
Ordinary shares – issued and fully paid – 2,288 million shares .....	2,288
Preference shares – issued and fully paid <sup>1</sup> .....	<u>0</u>
	<i>£million</i>
<b>Group shareholders' funds</b>	
<i>Equity</i>	
Issued and fully paid ordinary share capital .....	2,288
Share premium .....	5,502
Revaluation reserve .....	30
Profit and loss account .....	<u>7,304</u>
<b>Total shareholders' funds</b> .....	<u><u>15,124</u></u>
<b>Group indebtedness</b>	
<i>Loan capital</i>	
Undated loan capital – convertible to preference shares <sup>2</sup> .....	328
Undated loan capital – non-convertible <sup>2</sup> .....	5,454
Dated loan capital – non-convertible <sup>3</sup> .....	<u>5,203</u>
	<u>10,985</u>
<b>Debt securities in issue<sup>4</sup></b> .....	<u><u>46,899</u></u>
<b>Total indebtedness</b> .....	<u><u>57,884</u></u>
<b>Total capitalisation and indebtedness</b> .....	<u><u>73,008</u></u>
<b>Contingent liabilities</b>	
Acceptances and endorsements .....	2,391
Guarantees and assets pledged as collateral security .....	15,818
Other contingent liabilities .....	<u>7,461</u>
	<u><u>25,670</u></u>

1 At 30 June, 2002 the Issuer had U.S.\$1,500,000 of authorised preference share capital comprising 150 million preference shares of U.S.\$0.01 each. There were no preference shares issued at 30 June, 2002. See note (p) on page 33 for information on the Series E Non-cumulative Dollar-denominated Preference Shares of the Issuer.

2 See pages 32 to 34.

3 See pages 32 to 34.

4 £679 million is guaranteed but not secured, £1,591 million is secured but not guaranteed and the remainder is unguaranteed and unsecured.

**Undated loan capital at 30 June, 2002 (Notes a and b)***£million***The Issuer:**

8.55% Step-up Callable Perpetual Reserve Capital Instruments (U.S.\$1,250m) (Notes e and w) .....	811
7.375% Step-up Callable Perpetual Reserve Capital Instruments (U.S.\$750m) (Notes e and w) .....	485
7.50% Step-up Callable Perpetual Reserve Capital Instruments (€850m) (Notes e and x) .	542
Junior Undated Floating Rate Notes (U.S.\$121m) (Notes c and h) .....	79
Undated Floating Rate Primary Capital Notes Series 1 (U.S.\$358m) (Notes d and h) .....	235
Undated Floating Rate Primary Capital Notes Series 2 (U.S.\$442m) (Notes d and h) .....	290
Undated Floating Rate Primary Capital Notes Series 3 (Notes d and h) .....	145
8% Convertible Capital Notes, Series E (U.S.\$500m) (Notes d and p) .....	328
9.875% Undated Subordinated Notes (Notes d and q) .....	300
9% Permanent Interest Bearing Capital Bonds (Note d) .....	100
7.875% Undated Subordinated Notes (Notes d and r) .....	100
7.125% Undated Subordinated Notes (Notes d and s) .....	525
6.875% Undated Subordinated Notes (Notes d and t) .....	650
6.375% Undated Subordinated Notes (Notes d and u) .....	400
6.125% Undated Subordinated Notes (Notes d and v) .....	400
6.5% Undated Subordinated Notes (FRF 1bn) (Notes d and i) .....	98
5.03% Reverse Dual Currency Undated Subordinated Notes (Yen 8bn) (Notes d and j) ....	44
5% Reverse Dual Currency Undated Subordinated Notes (Yen 12bn) (Notes d and j) .....	66
<b>Woolwich plc:</b>	
9.25% Perpetual Subordinated Bonds (Notes f and y) .....	184
	<b><u>5,782</u></b>

**Dated loan capital at 30 June, 2002 (Notes a, b and g)***£million***The Issuer:**

5.5% Subordinated Notes 2002 (€200m) (Note o) .....	119
Floating Rate Subordinated Notes 2002 (€115m) (Notes h and o) .....	73
Floating Rate Subordinated Notes 2003 (€55m) (Note h) .....	36
Subordinated Floating Rate Notes 2003 (€200m) (Notes h and o) .....	125
Subordinated Floating Rate Notes 2003 (Yen 8bn) (Note h) .....	44
Floating Rate Unsecured Capital Loan Stock 2006 (Note h) .....	4
16% Unsecured Capital Loan Stock 2002/07 .....	100
4.875% Step-up Callable Subordinated Notes 2008 (FRF 1bn) (Note k) .....	99
Floating Rate Subordinated Notes 2008 (ITL 250bn) (Note h) .....	84
Subordinated Floating Rate Notes 2008 (U.S.\$250m) (Notes h and o) .....	171
Subordinated Floating Rate Notes 2009 (U.S.\$60m) (Note h and o) .....	41
Floating Rate Subordinated Step-up Callable Notes 2009 (U.S.\$550m) (Note h and aa) ...	367
Floating Rate Subordinated Step-up Callable Notes 2009 (U.S.\$115m) (Note h and o) ....	79
7.4% Subordinated Notes 2009 (U.S.\$400m) .....	262
Subordinated Fixed to CMS-Linked Notes 2009 (€31m) (Note h) .....	20
Floating Rate Subordinated Step-up Callable Notes 2009 (€150m) (Note h) .....	97
Variable Floating Rate Subordinated Notes 2009 (Yen 5bn) (Note h) .....	27
12% Unsecured Capital Loan Stock 2010. ....	25
Floating Rate Subordinated Step-up Callable Notes 2011 (U.S.\$100m) (Note h) .....	66
Floating Rate Subordinated Step-up Callable Notes 2011 (U.S.\$125m) (Note h) .....	82
Floating Rate Subordinated Notes 2011 (U.S.\$400m) (Note h) .....	262
5.75% Subordinated Notes 2011 (€1bn) .....	647
Fixed/Floating Rate Subordinated Notes 2011 (Yen 5bn) (Note l) .....	27
Floating Rate Subordinated Notes 2012 (Note h) .....	299

	<i>£million</i>
Callable Subordinated Floating Rate Notes 2012 (Note h) .....	44
Callable Subordinated Floating Rate Notes 2012 (U.S.\$150m) (Note h) .....	98
Floating Rate Subordinated Notes 2012 (U.S.\$100m) (Note h) .....	66
Capped Floating Rate Subordinated Notes 2012 (U.S.\$100m) (Note h) .....	66
5.5% Subordinated Notes 2013 (DM 500m) (Note m) .....	165
Floating Rate Subordinated Notes 2019 (€50m) (Note h) .....	32
Subordinated Floating Rate Notes 2021 (€100m) (Note h) .....	65
Subordinated Floating Rate Notes 2022 (€50m) (Note h) .....	32
5.75% Fixed Rate Subordinated Notes 2026 .....	600
5.4% Reverse Dual Currency Subordinated Notes 2027 (Yen 15bn) (Note n) .....	82
6.33% Subordinated Notes 2032 .....	50
Subordinated Floating Rate Notes 2040 (€100m) (Note h) .....	65
Woolwich plc:	
5.25% Subordinated Notes 2011 (€250m) .....	150
Step-up Callable Floating Rate Subordinated Bonds 2012 (Note h) .....	147
10.125% Subordinated Notes 2017 (Note z) .....	122
9.5% Subordinated Bonds 2021 .....	263
	<b><u>5,203</u></b>

#### Notes:

- (a) These figures take no account of liabilities between members of the Group. All loan capital is unsecured and unguaranteed. The majority of loan capital is prepayable at the option of the Issuer or Woolwich plc, as appropriate, subject to any necessary prior approval of the FSA.
- (b) Loan capital in foreign currencies is expressed in sterling at the exchange rates per £1 prevailing on 28 June, 2002 being: U.S.\$1.5248; €1.5454 (the euro legacy currencies of French francs, Deutschmarks and Italian lire having been first converted to euro at the official respective legacy currency to euro exchange rate); Yen 182.8442.
- (c) These Notes (the “Junior Notes”) rank behind the claims against the Issuer of depositors and other unsecured unsubordinated creditors and holders of dated loan capital.
- (d) These Notes (the “Undated Notes”) rank behind the claims against the Issuer of the holders of the Junior Notes.
- (e) The Reserve Capital Instruments (the “RCIs”) rank behind the claims against the Issuer of the holders of the Undated Notes.
- (f) These Bonds rank behind the claims against Woolwich plc of its depositors and other unsecured unsubordinated creditors and holders of its dated loan capital.
- (g) The dated loan capital of the Issuer and Woolwich plc has been issued on the basis that the claims thereunder are subordinated to the respective claims of their depositors and other unsecured unsubordinated creditors.
- (h) These Notes bear interest at rates fixed periodically in advance based on London or European interbank rates.
- (i) 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.
- (j) These Loans bear a fixed rate of interest until 2028 based on a U.S. dollar principal amount, but the coupons have been swapped, resulting in a Yen interest rate payable which is fixed periodically in advance based on London interbank rates. After that date, in the event that the Loans are not redeemed, the Loans will bear Yen interest at rates fixed periodically in advance based on London interbank rates.
- (k) 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.
- (l) 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.
- (m) 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.
- (n) This Loan bears a fixed rate of interest based on a U.S. dollar principal amount, but the coupons have been swapped, resulting in a Yen interest rate payable which is fixed periodically in advance based on London interbank rates.
- (o) The Issuer has swapped the proceeds of these Notes for sterling under swaps the durations of which will match the respective terms of the Notes. The payment obligations of the Issuer under these swaps are subordinated so that the claims against the Issuer in respect of the swaps rank *pari passu* with claims against the Issuer in respect of its dated loan capital. The sterling values of these Notes in the figures set out above take into account these subordinated swaps.
- (p) These Notes are convertible, at the option of the Issuer, into 40,000,000 Non-cumulative Dollar-denominated Preference Shares, Series E of the Issuer; at the date of this document no Series E Notes have been so converted.
- (q) These Notes are redeemable at the option of the Issuer in 2008 and on every fifth anniversary thereafter. In the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of 5 years.
- (r) These Notes are redeemable at the option of the Issuer up to and including October, 2003 and on every tenth anniversary thereafter. In the event that the Notes are not redeemed by October, 2003, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of 10 years.
- (s) These Notes are redeemable at the option of the Issuer in 2020 and on every fifth anniversary thereafter. In the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of 5 years.



- (t) These Notes are redeemable at the option of the Issuer in 2015 and on every fifth anniversary thereafter. In the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of 5 years.
- (u) These Notes are redeemable at the option of the Issuer in 2017 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.
- (v) These Notes are redeemable at the option of the Issuer in 2027 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.
- (w) These RCLs bear a fixed rate of interest until 2011. After that date, in the event that the RCLs are not redeemed, the RCLs will bear interest at rates fixed periodically in advance based on London interbank rates.
- (x) These RCLs bear a fixed rate of interest until 2010. After that date, in the event that the RCLs are not redeemed, the RCLs will bear interest at rates fixed periodically in advance based on European interbank rates.
- (y) These Bonds are redeemable at the option of Woolwich plc in 2021 and on every fifth anniversary thereafter. In the event that the Bonds are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of 5 years.
- (z) These Notes bear a fixed rate of interest until 2012. After that date, in the event that the Notes are not redeemed, the coupon will be reset to a fixed margin over a reference gilt rate for a further period of 5 years.
- (aa) The Issuer has swapped U.S.\$200 million of the proceeds of these Notes for sterling under a swap the duration of which matches the term of the Notes. The payment obligations of the Issuer under this swap are subordinated so that the claims against the Issuer in respect of this swap rank *pari passu* with claims against the Issuer in respect of its dated loan capital. The sterling value of these Notes in the figures set out above takes into account this subordinated swap.

On 4 July, 2002 the Issuer issued £400 million 6% Callable Perpetual Core Tier One Notes ("6% TONs"). The 6% TONs are unsecured and unguaranteed and they rank behind the claims against the Issuer of the holders of the Undated Notes and *pari passu* with the RCLs. Save as mentioned in this paragraph, there has been no material change in the undated loan capital and dated loan capital of the Group since 30 June, 2002.

## DIRECTORS

The Directors of the Issuer, 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	Chairman	Deputy Chairman, United Utilities PLC
Matthew Barrett	Group Chief Executive	—
John Stewart	Deputy Group Chief Executive	—
Christopher Lendrum	Chief Executive, Corporate Banking	—
John Varley	Group Finance Director	—
Sir Brian Jenkins GBE	Deputy Chairman, Non-Executive Director	Chairman, Charities Aid Foundation
David Arculus	Non-Executive Director	Chairman, Severn Trent plc
Hilary Cropper, CBE	Non-Executive Director	Executive Chairman, Xansa PLC
Sir Nigel Mobbs	Non-Executive Director	Chairman, Slough Estates plc, Chairman, Bovis Homes Group PLC
Sir Nigel Rudd DL	Non-Executive Director	Chairman, Kidde PLC, Chairman, Pilkington PLC, Chairman, Pendragon PLC, Deputy Chairman, The Boots Company PLC
Stephen Russell	Non-Executive Director	Chief Executive, The Boots Company PLC
Graham Wallace	Non-Executive Director	Chief Executive, Cable and Wireless plc
Dr. Jurgen Zech	Non-Executive Director	—

## FINANCIAL STATEMENTS

The financial statements set out on this page and pages 36 and 37 have been extracted without material adjustment from the audited consolidated accounts of the Group for the two years ended 31 December, 2001 and the unaudited consolidated accounts of the Group for the six months ended 30 June, 2002. The annual accounts of the Issuer for the last three years have been audited.

### CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	<i>Half-year ended 30 June 2002 (unaudited) £million</i>	<i>Year ended 31 December 2001 (audited) £million</i>	<i>2000 (audited) £million</i>
Interest receivable . . . . .	6,037	13,458	11,788
Interest payable . . . . .	(2,904)	(7,354)	(6,635)
Profit on redemption/repurchase of loan capital . . . . .	—	—	2
Net interest income . . . . .	3,133	6,104	5,155
Net fees and commissions receivable . . . . .	1,996	3,758	3,369
Dealing profits . . . . .	513	1,011	677
Other operating income . . . . .	86	452	397
Operating income . . . . .	<u>5,728</u>	<u>11,325</u>	<u>9,598</u>
Administration expenses – staff costs (Note 1) . . . . .	(1,878)	(3,716)	(3,219)
Administration expenses – other . . . . .	(1,099)	(2,303)	(1,967)
Depreciation and amortisation . . . . .	(286)	(537)	(306)
Operating expenses . . . . .	<u>(3,263)</u>	<u>(6,556)</u>	<u>(5,492)</u>
<b>Operating profit before provisions . . . . .</b>	<b><u>2,465</u></b>	<b><u>4,769</u></b>	<b><u>4,106</u></b>
Provisions for bad and doubtful debts . . . . .	(713)	(1,149)	(817)
Provisions for contingent liabilities and commitments . . . . .	1	(1)	1
Provisions . . . . .	<u>(712)</u>	<u>(1,150)</u>	<u>(816)</u>
<b>Operating profit . . . . .</b>	<b><u>1,753</u></b>	<b><u>3,619</u></b>	<b><u>3,290</u></b>
Loss from joint ventures and associated undertakings . . . . .	(4)	(9)	(8)
(Loss)/profit on disposal of other Group undertakings . . . . .	—	(4)	214
<b>Profit on ordinary activities before tax . . . . .</b>	<b><u>1,749</u></b>	<b><u>3,606</u></b>	<b><u>3,496</u></b>
Tax on profit on ordinary activities (Note 2) . . . . .	(507)	(1,010)	(944)
<b>Profit on ordinary activities after tax (Note 3) . . . . .</b>	<b><u>1,242</u></b>	<b><u>2,596</u></b>	<b><u>2,552</u></b>
Minority interest (equity and non-equity) . . . . .	(9)	(31)	(22)
Payments to RCI holders (Note 3) . . . . .	—	(97)	(33)
<b>Profit attributable to the members of Barclays Bank PLC . . . . .</b>	<b><u>1,233</u></b>	<b><u>2,468</u></b>	<b><u>2,497</u></b>
Dividends payable to Barclays PLC . . . . .	(628)	(1,317)	(1,352)
Dividends payable to preference shareholders . . . . .	—	(5)	(24)
<b>Profit retained for the financial year . . . . .</b>	<b><u>605</u></b>	<b><u>1,146</u></b>	<b><u>1,121</u></b>

## CONSOLIDATED BALANCE SHEETS

	Half-year ended 30 June 2002 (unaudited) £million	Year ended 31 December 2001 (audited) £million	2000 (audited) £million
<b>Assets:</b>			
Cash and balances at central banks	1,414	1,281	1,243
Items in course of collection from other banks	3,077	2,444	2,509
Treasury bills and other eligible bills	8,768	7,417	5,564
Loans and advances to banks – banking	16,889	12,196	9,556
– trading	40,951	35,693	27,345
	57,840	47,889	36,901
Loans and advances to customers – banking	151,815	146,253	138,437
– trading	47,211	34,240	23,198
	199,026	180,493	161,635
Debt securities	80,744	78,924	70,770
Equity shares	4,661	3,118	4,062
Interests in joint ventures and associated undertakings	89	88	122
Intangible fixed assets	4,055	4,091	4,269
Tangible fixed assets	1,831	1,958	2,059
Other assets	20,369	20,776	18,345
	381,874	348,479	307,479
Retail life-fund assets attributable to policyholders	7,879	8,170	8,711
<b>Total assets</b>	<b>389,753</b>	<b>356,649</b>	<b>316,190</b>
<b>Liabilities:</b>			
Deposits by banks – banking	39,052	45,837	32,445
– trading	42,133	21,543	17,311
	81,185	67,380	49,756
Customer accounts – banking	143,388	139,831	140,352
– trading	30,146	23,984	18,616
	173,534	163,815	158,968
Debt securities in issue	46,899	41,846	31,883
Items in course of collection due to other banks	1,396	1,550	1,176
Other liabilities	47,255	42,930	38,184
Accruals and deferred income	3,772	4,377	4,457
Provisions for liabilities and charges – deferred tax (Note 2)	656	630	631
Provisions for liabilities and charges – other	522	594	635
Balances due to Barclays PLC	422	728	632
<b>Subordinated liabilities:</b>			
Undated loan capital: convertible to preference shares	328	345	335
Undated loan capital: non-convertible	5,454	2,837	2,337
Dated loan capital: non-convertible	5,203	4,933	3,698
	<b>366,626</b>	<b>331,965</b>	<b>292,692</b>
<b>Minority interests and shareholders' funds:</b>			
Minority interests – equity	124	134	108
Called up share capital	2,288	2,286	2,275
Other shareholders' funds – non-equity (Note 3)	—	1,872	1,350
Reserves: equity (Note 2)	12,836	12,222	10,912
non-equity	—	—	142
Shareholders' funds – equity and non-equity	15,124	16,380	14,679
	<b>15,248</b>	<b>16,514</b>	<b>14,787</b>
	381,874	348,479	307,479
Retail life-fund liabilities to policyholders	7,879	8,170	8,711
<b>Total liabilities and shareholders' funds</b>	<b>389,753</b>	<b>356,649</b>	<b>316,190</b>

*Note 1*

Following the strategic alliance with Legal & General, costs related to the regulated sales force and field sales managers have been included in staff costs and their headcounts included in Group staff numbers with effect from 1 August, 2001. Prior to that date, these costs were borne within long term assurance funds and their headcount excluded from Group staff numbers. Costs have increased by £30 million in the first half of 2002 (2001: £31 million) as a result of this change.

*Note 2*

The Group adopted Financial Reporting Standard 19 “Deferred Tax” (FRS 19) with effect from 1 January, 2002. Previously, deferred tax was only provided on timing differences where it was considered probable that a liability to tax would crystallise. Following FRS 19, deferred tax is now provided in full in respect of timing differences that have originated but not reversed at the balance sheet date.

The change in policy results in an adjustment to the audited prior year numbers. The impact would be to increase “Profit on ordinary activities after tax” for the year to 31 December, 2001 by £14 million (2000: £13 million), decrease the deferred tax liability by £14 million (2000: £34 million increase) and increase shareholders’ funds by £14 million (2000: £34 million decrease).

*Note 3*

Following the issue of UITF abstract 33, RCIs are now treated as forming part of “Undated loan capital: non-convertible” of the Issuer rather than as “Other shareholders’ funds – non-equity”. The coupon on the RCIs is now reported in “Interest payable” and the tax effect in “Tax on profit on ordinary activities”, rather than as a net figure in “Payments to RCI holders”. The change in presentation results in an adjustment to the audited prior year numbers. The impact would be to reduce “Profit on ordinary activities after tax” for the year to 31 December, 2001 by £97 million (2000: £33 million), increase “Subordinated liabilities” by £1,872 million (2000: £1,350 million) and reduce “Other shareholders’ funds — non-equity” by £1,872 million (2000: £1,350 million). “Profit retained for the financial year” would be unchanged in both years.

## UNITED KINGDOM

*The following is a summary of the current United Kingdom taxation treatment of the TONs. It is not exhaustive. It relates only to the position of persons who are the absolute beneficial owners of the TONs and may not apply to certain classes of TON Holders, such as dealers in securities. TON Holders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should consult their professional advisers.*

### **Withholding Tax**

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

### **Payment of Interest in Shares**

5. In certain cases (as described in the Summary under “Alternative coupon satisfaction mechanism” and as set out in more detail in Condition 6 of “Terms and Conditions of the TONs”) the Issuer may discharge a Coupon Payment by the issue of shares. TON Holders will not be entitled to such shares and a Coupon Payment which is discharged in this way will be paid to TON Holders in cash and will be dealt with for tax purposes in the same way as other Coupon Payments (see below).



### **Holders within the Charge to United Kingdom Corporation Tax**

6. The TONs 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 TON 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 U.S. dollar, the currency in which the TONs are denominated, against the “local currency” of the TON Holder, realise an income gain or loss taxable on an accruals basis for United Kingdom tax purposes for each accounting period during which the TONs are held, notwithstanding that there has been no disposal of the TONs. However, the FOREX provisions will cease to apply for accounting periods beginning on or after 1 October, 2002 whereupon exchange gains and losses arising to corporate TON Holders within the charge to United Kingdom corporation tax will in general be dealt with under the provisions of the “loan relationship” legislation referred to in paragraph 7 below.
7. For corporate TON Holders within the charge to United Kingdom corporation tax, TONs will normally constitute “qualifying corporate bonds” within section 117 of the Taxation of Chargeable Gains Act 1992. Such corporate TON Holders will normally recognise any gain or loss for corporation tax purposes (including any exchange gains and losses for accounting periods beginning on or after 1 October, 2002) 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**

8. On a disposal or redemption of the TONs, a TON Holder who is not within the charge to United Kingdom corporation tax and who is a United Kingdom 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 a TON, the sterling value of the TON at the date of disposal or in the case of a redemption the sterling value of the redemption proceeds at the date of redemption, is compared with the sterling value of the TON at the date of acquisition. Accordingly, a taxable gain could arise even where the U.S. dollar amount received on a disposal or redemption is less than or the same as the amount paid for the TON.
9. TON holders who are within the charge to United Kingdom income tax on the interest payable on the TONs will generally be liable to tax on this interest when it is paid to them in cash.
10. A transfer of TONs by a TON Holder who is not a company within the charge to United Kingdom corporation tax and who is resident or ordinarily resident in the United Kingdom or who carries on a trade in the United Kingdom through a branch or agency to which the TONs are attributable may give rise to a charge to United Kingdom income tax in respect of an amount representing interest on the TONs which has accrued since the preceding Coupon Payment Date under the provisions of the “accrued income scheme” (the “**Scheme**”). The TONs will be variable rate securities within the meaning of section 717 of ICTA. Accordingly, on a transfer of a TON, an amount of interest which is just and reasonable will be treated as accrued income under the Scheme. However, the transferee will not be entitled to any relief for that amount under the Scheme.

### **Proposed EU Directive on the Taxation of Savings Income**

11. On 18 July, 2001, the European Commission published a new proposal for a directive regarding the taxation of savings income. This new proposal reflects the ECOFIN Agreement of 26-27 November, 2000 and replaces the previous proposal regarding this matter adopted in 1998. Subject to a number of important conditions being met, it is proposed that each member state will be required to provide details of payments of interest and other similar income paid by a person within its jurisdiction to an individual resident in another member state to the tax authorities of that state. This is subject to the right of Austria, Belgium and Luxembourg to opt instead for a withholding system for a transitional period of 7 years in relation to such payments. On 13 December, 2001, ECOFIN agreed to a provisional text of the directive for negotiation purposes with third countries. If the directive were to be adopted in this form it would take effect from 1 January, 2004. The proposal is, however, not yet final and may be subject to revision. The negotiations referred to above are for the purposes of obtaining assurances with regard to the application of the same measures in dependent and associated territories of member states and to the adoption of equivalent measures by certain third

countries. ECOFIN has stated that it will decide, on the basis of a report on the outcome of the negotiations for such assurances, on a final text of the directive no later than 31 December, 2002, and will do so by unanimity.

## UNITED STATES OF AMERICA

This section describes the material United States federal income tax consequences of owning TONs. It applies to TON holders only if they acquire TONs in this offering and hold their TONs as capital assets for tax purposes. This section does not apply to a TON Holder who is a member of a special class of holders subject to special rules, including: a dealer in securities; a trader in securities that elects to use a mark-to-market method of accounting for its securities holdings; a tax-exempt organization; a life insurance company; a person liable for alternative minimum tax; a person that actually or constructively owns 10% or more of the voting stock of the Issuer; a person that holds TONs as part of a straddle or a hedging or conversion transaction; or a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

A U.S. holder is a beneficial owner of TONs that is: a citizen or resident of the United States; a domestic corporation; an estate whose income is subject to United States federal income tax regardless of its source; or a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

A “**non-U.S. holder**” is a beneficial owner of TONs that is not a United States person for United States federal income tax purposes.

*TON Holders should consult their own tax advisors regarding the United States federal, state and local and any foreign tax consequences of owning and disposing of TONs in their particular circumstances.*

This discussion addresses only United States federal income taxation.

The TONs should be treated as an equity investment in the Issuer for purposes of United States federal income taxation. Thus, Coupon Payments made on the TONs should be treated as dividends for United States federal income tax purposes.

## UNITED STATES FEDERAL INCOME TAXATION OF COUPON PAYMENTS

**U.S. holders:** Under the United States federal income tax laws U.S. holders must include in their gross income the gross amount of any Coupon Payment paid by the Issuer out of its current or accumulated earnings and profits (as determined for United States federal income tax purposes). The Coupon Payment is ordinary dividend income for U.S. tax purposes that U.S. holders must include in income when they receive the Coupon Payment, actually or constructively. The Coupon Payment will generally not be eligible for the dividends-received deduction which is usually allowed to United States corporations in respect of dividends received from other United States corporations. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of the U.S. holder's basis in the TONs and thereafter as capital gain.

Coupon Payments will be dividend income from sources outside the United States, but generally will be “passive income” or “financial services income” which is treated separately from other types of income for purposes of computing the foreign tax credit allowable to a U.S. holder.

### Alternative Coupon Satisfaction Mechanism

Under the alternative coupon satisfaction mechanism, the Issuer may and, in some circumstances, must distribute ordinary shares as part of a procedure to raise funds for payment to TON Holders in respect of a Coupon Payment. Through a series of steps, it is intended that the Trustee would then distribute U.S. dollars to a TON Holder in an amount equal to the Coupon Payment. A U.S. holder should recognize ordinary dividend income from sources outside the United States equal to the amount of the cash received by the holder. No additional U.S. income should be recognized by the series of steps involved in the Alternative Coupon Satisfaction Mechanism provided that at each step, the value of the property transferred in that step is equal to the value of the ordinary shares initially distributed under the alternative coupon satisfaction mechanism.

## Exchange or Variation

In certain cases the TONs may be exchanged or the TON terms may be varied because of U.K. taxation or regulatory issues as outlined above. Under certain circumstances, such an exchange or variation could be a taxable event. If this event occurs the holder should consult its tax advisor with the specifics of the exchange or variation in terms.

**Non-U.S. holders:** Coupon Payments and other distributions made to a non-U.S. holder in respect of TONs will not be subject to United States federal income tax unless such distributions are “effectively connected” with the conduct of a trade or business within the United States by the holder, and such distributions are attributable to a permanent establishment maintained by the TON holder in the United States if that is required by an applicable income tax treaty as a condition for subjecting the holder to United States taxation on a net income basis. In such cases the holder will be taxed in the same manner as a U.S. holder. If the holder is a corporate non-U.S. holder, “effectively connected” distributions may, under certain circumstances, be subject to an additional “branch profits tax” at a 30 per cent. rate or at a lower rate if the holder is eligible for the benefits of an income tax treaty that provides for a lower rate.

## UNITED STATES FEDERAL INCOME TAXATION OF GAIN OR LOSS ON DISPOSITION OF TONs.

**U.S. holders:** A U.S. holder who sells or otherwise disposes of TONs, will recognise capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount realised and the tax basis (determined in U.S. dollars), in the TONs sold. Capital gain of a noncorporate U.S. holder is generally taxed at a maximum rate of 20 per cent. where the property is held more than one year and 18 per cent. where the property is held for more than five years. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

**Non-U.S. holders:** A non-U.S. holder will not be subject to United States federal income tax on gain recognised on the sale or other disposition of TONs unless: (a) the gain is “effectively connected” with the conduct of a trade or business in the United States by the holder, and the gain is attributable to a permanent establishment that is maintained in the United States by the holder if that is required by an applicable income tax treaty as a condition for subjecting the holder to United States taxation on a net income basis; or (b) the holder is an individual and is present in the United States for 183 or more days in the taxable year of the sale and certain other conditions exist.

“Effectively connected” gains recognised by a corporate non-U.S. holder may also, under certain circumstances, be subject to an additional “branch profits tax” at a 30 per cent. rate or at a lower rate if the holder is eligible for the benefits of an income tax treaty that provides for a lower rate.

## BACKUP WITHHOLDING AND INFORMATION REPORTING.

If the holder is a noncorporate U.S. holder, information reporting requirements, on Internal Revenue Service Form 1099, generally will apply to:

- (a) Coupon Payments or other taxable distributions made to the holder within the United States, and
- (b) the payment of proceeds to the holder from the sale of TONs effected at a United States office of a broker.

Additionally, backup withholding may apply to such payments if the holder is a noncorporate U.S. holder that:

- (a) fails to provide an accurate taxpayer identification number,
- (b) is notified by the Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its federal income tax returns, or
- (c) in certain circumstances, fails to comply with applicable certification requirements.

If the holder is a non-U.S. holder, it is generally exempt from backup withholding and information reporting requirements with respect to:

- (a) Coupon Payments or other distributions made to the holder outside the United States by the Issuer or another non-United States payor and
- (b) other Coupon Payments or other distributions and the payment of the proceeds from the sale of TONs effected at a United States office of a broker, as long as the income associated with such payments is otherwise exempt from United States federal income tax, and:

- (i) the payor or broker does not have actual knowledge or reason to know that the holder is a United States person and the holder has furnished the payor or broker: (A) an Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which the holder certifies, under penalties of perjury, that it is a non-United States person, or (B) other documentation upon which it may rely to treat the payments as made to a non-United States person in accordance with U.S. Treasury regulations, or
- (ii) the holder otherwise establishes an exemption.

Payment of the proceeds from the sale of TONs effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of TONs that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- (a) the proceeds are transferred to an account maintained by the holder in the United States,
- (b) the payment of proceeds or the confirmation of the sale is mailed to the holder at a United States address, or
- (c) the sale has some other specified connection with the United States as provided in U.S. Treasury regulations,

unless the broker does not have actual knowledge or reason to know that the holder is a United States person and the documentation requirements described above are met or the holder otherwise establishes an exemption.

In addition, a sale of TONs effected at a foreign office of a broker will be subject to information reporting if the broker is:

- (a) a United States person,
- (b) a controlled foreign corporation for United States tax purposes,
- (c) a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, or
- (d) a foreign partnership, if at any time during its “tax year”
  - (i) one or more of its partners are “U.S. persons”, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or
  - (ii) such foreign partnership is engaged in the conduct of a United States trade or business,

unless the broker does not have actual knowledge or reason to know that the holder is a United States person and the documentation requirements described above are met or the holder otherwise establishes an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that the holder is a United States person.

The holder generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed its income tax liability by filing a refund claim with the United States Internal Revenue Service.

### BOOK-ENTRY OWNERSHIP

The Issuer will make applications to Euroclear and Clearstream for acceptance in their respective book-entry settlement systems of the Regulation S TONs to be evidenced by the Regulation S Global TON.

The Issuer will make application to DTC for acceptance in its book-entry settlement system of the TONs to be evidenced by the Rule 144A Global TON. TONs evidenced by the Rule 144A Global TON will be subject to restrictions on transfer contained in a legend appearing on the front of the Rule 144A Global TON, as set out under “Transfer Restrictions”. In certain circumstances, as described below, such legend will no longer be applicable.

The Custodian with whom the Rule 144A Global TON is deposited and DTC will electronically record the principal amount of the Rule 144A TONs held within the DTC system. Investors in TONs may hold their interests in the TONs evidenced by the Regulation S Global TON only through Euroclear or Clearstream. Investors may hold their interests in the TONs evidenced by the Rule 144A Global TON directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest on, the TONs evidenced by the Rule 144A Global TON registered in the name of DTC’s nominee will be to, or to the order of, its nominee as the registered owner of such TONs. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants’ accounts with payments in amounts proportional to their respective interests in the principal amount of the TONs evidenced by the Rule 144A Global TON as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of interests in the TONs held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants.

None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the TONs evidenced by the Regulation S Global TON or the Rule 144A Global TON or for maintaining, supervising or reviewing any records relating to such ownership interests.

All TONs will initially be evidenced by an Regulation S Global TON and a Rule 144A Global TON. Definitive TONs will only be available in certain limited circumstances described below, in a minimum denomination of U.S.\$1,000 and integral multiples thereof.

### DEFINITIVE TONs

Interests in the Global TONs will be exchangeable in whole but not in part (free of charge to the holder) for definitive TONs (a) if, in the case of the Regulation S Global TON, Clearstream or Euroclear or the Alternative Clearing System is closed for business for a continuous period of 14 days (other than by reason of public holidays, statutory or otherwise) or announces an intention to cease business permanently or in fact does so and no Alternative Clearing System is available, by such holder giving notice to the Registrar or (b) if, in the case of the Rule 144A Global TON, DTC notifies the Issuer that it has ceased to be a “clearing agency” registered under the Exchange Act or that it is no longer willing to discharge its responsibilities as depository, and the Issuer is unable to locate a qualified successor within 90 days of such notice, or (c) if the Issuer would suffer a material disadvantage in respect of the TONs as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 7 of the Terms and Conditions of the Notes which would not be suffered were the TONs in definitive form and a certificate to such effect signed by one Director of the Issuer is delivered to the Trustee, by the Issuer giving notice to the Registrar and the TON Holders of its intention to exchange the Global TONs for definitive TONs on or after the Global Exchange Date specified in the notice.

In such circumstances, the Issuer will cause sufficient individual TONs to be executed and delivered to the Registrar for authentication and despatch to the relevant TON holder(s). A person having an interest in TONs must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual TONs; and in the case of an interest in TONs evidenced by the Rule 144A Global TON only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time



of such exchange or, in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual TONs issued in exchange for interests in TONs evidenced by the Rule 144A Global TON shall bear the legend referred to in “Transfer Restrictions”.

Unless and until otherwise agreed upon among the Issuer, the Trustee, the Lead Manager and the Registrar, all TONs issued in exchange for or on registration of transfer of TONs evidenced by TONs bearing the legend referred to in “Transfer Restrictions” shall also bear such legend, provided that the Registrar shall, upon written request of a holder and upon delivery of certification as to compliance with certain U.S. securities laws (in the form provided in the Agency Agreement), duly executed by the transferor, issue a TON without such legend in exchange for a TON with such legend.

## **TRANSFERS OF TONs**

Transfers of interests in TONs within Euroclear/Clearstream and DTC will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some States in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in TONs to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in TONs evidenced by the Rule 144A Global TON to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Interests in TONs evidenced by the Regulation S Global TON may be held only through Euroclear and Clearstream. Transfers may be made at any time by a holder of an interest in TONs evidenced by the Regulation S Global TON to a transferee who wishes to take delivery in the form of an interest in TONs evidenced by the Rule 144A Global TON provided that any such transfer made on or prior to the expiration of the distribution compliance period (as defined under “Transfer Restrictions”) will only be made upon receipt by the Registrar or any other Transfer Agent of a written certificate from Euroclear or Clearstream, as the case may be, (based on a written certificate from the transferor of such interest) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities law of any State of the United States or any other jurisdiction. Any such transfer made thereafter will only be made upon request through Euroclear or Clearstream by the holder of an interest in TONs evidenced by the Regulation S Global TON to the Registrar and receipt by the Registrar of details of that account at DTC to be credited with the relevant interest in TONs evidenced by the Rule 144A Global TON.

Transfers at any time by a holder of any interest in TONs evidenced by the Rule 144A Global TON to a transferee who takes delivery in the form of an interest in TONs evidenced by the Regulation S Global TON will only be made upon delivery by the transferor to the Registrar or any other Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, as the case may be, and DTC to be credited and debited, respectively, with an interest in TONs evidenced by the relevant Global TON.

Subject to compliance with the transfer restrictions applicable to TONs described above and under “Transfer Restrictions”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear and Clearstream accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, Custodian and Common Depositary.

On or after the Closing Date transfers of interests in TONs between accountholders in Euroclear and Clearstream and transfers of interests in TONs between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear and Clearstream and participants in DTC will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream on the other, transfers of interests in TONs evidenced by the Global TONs will be effected through the common depositary for Euroclear and Clearstream and the Custodian for DTC receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the

transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in TONs evidenced by the relevant Global TON resulting in such transfer and (ii) two business days after receipt by the Registrar of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear and Clearstream accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer, see “Transfer Restrictions”.

## GENERAL

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of TONs (including, without limitation, the presentation of the Rule 144A Global TON for exchange as described above) only at the discretion of one or more participants in whose account with DTC interests in TONs evidenced by the Rule 144A Global TON are credited and only in respect of such portion of the aggregate principal amount of the TONs evidenced by the relevant Rule 144A Global TON as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the Rule 144A Global TON for exchange for individual TONs (which will, in the case of Rule 144A TONs, bear the legend applicable to transfers pursuant to Rule 144A).

DTC has advised the Issuer as follows: DTC is a limited-purpose trust company organised under the New York Banking Law, a “banking organisation” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its direct participants deposit with it. DTC also facilitates the settlement among its direct participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organisations. DTC is owned by a number of direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Indirect access to DTC is available to others, such as securities brokers and dealers, banks and trust companies that clear through, or maintain a custodial relationship with, a direct participant, either directly or indirectly.

Although Euroclear, Clearstream and DTC have agreed to the foregoing procedures in order to facilitate transfers of interests in TONs among participants and accountholders of Euroclear, Clearstream and DTC, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have any responsibility for the performance by Euroclear, Clearstream and DTC or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operation.

## TRANSFER RESTRICTIONS

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*Because of the following restrictions, purchasers of beneficial interests in the Global TONs are advised to consult legal counsel prior to making any purchase, offer, resale, pledge or transfer of interests in such Global TONs.*

### **RULE 144A TONs**

Each purchaser of a beneficial interest in the Rule 144A Global TON pursuant to Rule 144A will be deemed to have represented, agreed and acknowledged as follows:

1. It is (a) a qualified institutional buyer within the meaning of Rule 144A, (b) acquiring an interest in such TON for its own account or for the account of a qualified institutional buyer and (c) aware, and each beneficial owner of such interest in such TON has been advised, that the sale of such interest in such TON to it is being made in reliance on Rule 144A.
2. It understands that such TON has not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) to a person that it and any person acting on its behalf reasonably believe is a qualified institutional buyer purchasing for its own account or for the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (c) pursuant to an exemption from registration under the U.S. Securities Act provided by Rule 144 thereunder (if available) or (d) pursuant to an effective registration statement filed with the Commission, in each case in accordance with any applicable securities laws of any state of the United States, and it understands that it will, and each subsequent holder of such security is required to, notify any purchaser of such security from it of the resale restrictions referred to in this paragraph. No representation can be made as to the availability of the exemption provided by Rule 144 under the U.S. Securities Act for the resales of any such security. In addition, any future issuance of TONs by the Issuer may affect the availability of the exemption provided by Rule 144 under the U.S. Securities Act for the resales of TONs being sold in this offering.
3. It understands that the Rule 144A Global TON and any definitive TONs issued in exchange for the Rule 144A Global TON unless otherwise agreed by the Issuer will bear a legend substantially to the following effect:

“THE TONS REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “U.S. SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) (1) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT (“**RULE 144A**”) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT FILED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION, AND (B) IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALE OF INTERESTS IN SUCH SECURITIES. THE HOLDER UNDERSTANDS THAT ITS ABILITY, AND THE ABILITY OF ANY SUBSEQUENT HOLDER, TO REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THE TONS PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, OR BY VIRTUE OF THE FACT THAT THE TON WAS PREVIOUSLY SOLD IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S THEREUNDER, MAY BE LIMITED AS A RESULT OF MARKET-MAKING IN THE TONS BY AFFILIATES OF BARCLAYS BANK PLC.”

4. It understands that the Issuer, the Managers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any such TON for the account of one or more qualified institutional buyers (“QIBs”), it represents

that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

5. It understands that interests in the Rule 144A TONs will be represented by interests in the Rule 144A Global TON. Before any interest in the Rule 144A Global TON may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global TON, the transferor will be required to provide the Registrar with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the TONs may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A.

## REGULATION S TONS

Each purchaser of a beneficial interest in the Regulation S Global TON pursuant to Regulation S and each subsequent purchaser of beneficial interests in such TON in resales prior to the expiration of a 40-day distribution compliance period beginning on the later of the commencement of the offering of the TONs and the closing date (the “**distribution compliance period**”) will be deemed to have represented, agreed and acknowledged as follows:

1. Such purchaser is aware that the sale of a beneficial interest in such TON to it is being made pursuant to and in accordance with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act.
2. It understands that such TON has not been and will not be registered under the U.S. Securities Act and, prior to the expiration of the distribution compliance period, may not be offered, sold, pledged or otherwise transferred except (A) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (B) to a person whom the seller and any person acting on its behalf reasonably believe is a qualified institutional buyer purchasing for its own account or for the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, in each case in accordance with any applicable securities laws of any state of the United States.
3. It understands that the Regulation S Global TON and any definitive TONs issued in exchange for the Regulation S Global TON will bear a legend during the distribution compliance period substantially to the following effect, unless otherwise agreed by the Issuer:

“THE TONS REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “**U.S. SECURITIES ACT**”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, PRIOR TO THE EXPIRATION OF THE PERIOD ENDING 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE TONS AND THE CLOSING DATE (THE “**DISTRIBUTION COMPLIANCE PERIOD**”), MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(I) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT OR (II) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT (“**RULE 144A**”) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. UPON THE EXPIRATION OF THE DISTRIBUTION COMPLIANCE PERIOD, SUCH SECURITIES SHALL NO LONGER BE SUBJECT TO THE RESTRICTIONS PROVIDED IN THIS LEGEND, PROVIDED THAT AT THE TIME OF SUCH EXPIRATION THE OFFER OR SALE OF SUCH SECURITIES BY THE HOLDER HEREOF IN THE UNITED STATES WOULD NOT BE RESTRICTED UNDER THE SECURITIES LAWS OF THE UNITED STATES OR ANY STATE OF THE UNITED STATES. THE HOLDER UNDERSTANDS THAT ITS ABILITY, AND THE ABILITY OF ANY SUBSEQUENT HOLDER, TO REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THE TONS PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, OR BY VIRTUE OF THE FACT THAT THE TON WAS PREVIOUSLY SOLD IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S THEREUNDER, MAY BE LIMITED AS A RESULT OF MARKET-MAKING IN THE TONS BY AFFILIATES OF BARCLAYS BANK PLC.”

4. It understands that the TONs offered in reliance on Regulation S will be represented by interests in the Regulation S Global TON. Prior to the expiration of the distribution compliance period, before

any interest in the Regulation S Global TON may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A Global TON it will be required to provide the Registrar with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

#### **OTHER PROVISIONS REGARDING TRANSFERS**

Interests in the Rule 144A Global TON may be transferred to a person whose interest is subsequently represented by an interest in the Regulation S Global TON only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) from the transferor to the effect that, among other things, such transfer is being made in accordance with Regulation S. Prior to the expiration of the distribution compliance period, interests in the Regulation S Global TON may be transferred to a person whose interest is subsequently represented by an interest in the Rule 144A Global TON only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) from the transferor to the effect that, among other things, such transfer is being made in accordance with Rule 144A. Any interest in one of the Global TONs that is transferred to a person whose interest in such Global TON is subsequently represented by an interest in the other Global TON will, upon transfer, cease to be an interest in the first Global TON and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to such other Global TON for so long as it retains such an interest.



## SUBSCRIPTION AND SALE

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Under a subscription agreement entered into with the Issuer on 20 September, 2002 (the “**Subscription Agreement**”), Barclays Capital Inc. (the “**Lead Manager**”), BNP Paribas Securities Corp., Goldman, Sachs & Co., J.P. Morgan Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated and Wachovia Securities, Inc. (together with the Lead Manager, the “**Managers**”) have agreed to subscribe for the TONs at the issue price of 100 per cent. of their principal amount. The Issuer has agreed to pay to the Lead Manager a combined selling, management and underwriting commission of 1.00 per cent. of the principal amount of the TONs. The Subscription Agreement is subject to termination in certain circumstances prior to payment to the Issuer.

The TONs have not been and will not be registered under the U.S. Securities Act, and will be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S under the U.S. Securities Act and will be offered and resold in the United States to “qualified institutional buyers” in reliance on Rule 144A under the U.S. Securities Act.

### UNITED STATES OF AMERICA

Each of the Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver TONs (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells TONs (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of TONs within the United States or to, or for the account or benefit of, U.S. persons.

The Issuer has agreed to indemnify the Managers against certain liabilities, including liabilities under the U.S. securities laws.

The TONs are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S. The Subscription Agreement provides that the Managers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of TONs within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of the TONs, an offer or sale of TONs within the United States by a dealer that is not participating in the offering may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

There will be no public U.S. market for the TONs. The Lead Manager may act as agent for holders who wish to resell TONs in transactions exempt from registration under the U.S. Securities Act, but will have no obligation to do so. In addition, the Lead Manager and affiliates of the Lead Manager may make a market in the TONs, but neither the Lead Manager nor any such other affiliate will have any obligation to do so and any such market-making, if commenced, may be discontinued at any time without notice. If the Lead Manager or any affiliate of the Lead Manager makes a market in the TONs, purchasers of the TONs may be limited in their ability to resell the TONs in reliance on Rule 144 under the U.S. Securities Act. For TONs previously sold in offshore transactions in reliance on Regulation S under the U.S. Securities Act, such market-making may give rise to similar limitations with respect to resales in the United States or to U.S. persons.

### UNITED KINGDOM

Each of the Managers has represented and agreed that:

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

- (3) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the TONs in, from or otherwise involving the United Kingdom.

#### **GENERAL**

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

## GENERAL INFORMATION

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1. The listing of the TONs on the Official List will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that admission of the TONs to the Official List and to trading on the London Stock Exchange's market for listed securities will be granted on or around 25 September, 2002, subject only to the issue of the Global TONs. If the Global TONs are not issued as mentioned in this document, the issue of the TONs may be cancelled. Prior to official listing, however, dealings in TONs will be permitted by the London Stock Exchange in accordance with its rules.
2. The Regulation S TONs have been accepted for clearance through Euroclear and Clearstream with a Common Code of 15514183. The ISIN code for the Regulation S TONs is XS0155141830.
3. The Rule 144A TONs have been accepted for clearance through the facilities of DTC with a CUSIP number of 06738C AG 4. The ISIN code for the Rule 144A TONs is US06738CAG42. The Rule 144A TONs can also be cleared through Euroclear and Clearstream with a Common Code of 15516836.
4. No member of the Group is or has been involved in any legal or arbitration proceedings which may have, or have had during the twelve months preceding the date of this document, a significant effect on the Group's financial position nor, so far as the Issuer is aware, are any such proceedings pending or threatened.
5. Save as otherwise disclosed herein, there has been no significant change in the financial or trading position of the Issuer or the Group since 30 June, 2002 and there has been no material adverse change in the financial position or prospects of the Issuer or the Group since 31 December, 2001.
6. No redemption or purchase by the Issuer or any of its subsidiaries for cancellation of the TONs will be made by the Issuer without the prior consent of the Financial Services Authority.
7. The information contained in this document does not constitute statutory accounts (within the meaning of section 240 of the Companies Act 1985 (the "**Companies Act**")). The annual consolidated accounts of the Issuer and its subsidiaries for each of the three years ended 31 December, 2001 have been audited by PricewaterhouseCoopers, chartered accountants and registered auditors. All three of these accounts contained unqualified audit reports under section 235 of the Companies Act. Copies of such statutory accounts have been delivered to the Registrar of Companies in England and Wales.
8. Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at the registered office of Issuer, currently at 54 Lombard Street, London EC3P 3AH for a period of 14 days from the date hereof.
  - (i) the Memorandum and Articles of Association of the Issuer;
  - (ii) the published consolidated Annual Report and Accounts of the Issuer and its subsidiaries for the financial years ended 31 December, 2000 and 31 December, 2001, respectively and the Interim Report of Barclays PLC as at, and for the six months ended, 30 June, 2002;
  - (iii) the Subscription Agreement;
  - (iv) a draft, subject to minor amendment, of the Trust Deed;
  - (v) a draft, subject to minor amendment, of the Agency Agreement in relations to the TONs; and
  - (vi) a draft, subject to minor amendment, of the Calculation Agency Agreement in relation to the TONs.

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