



**BARCLAYS BANK PLC**

*(incorporated with limited liability in England and Wales)*

**£4,050,000,000 9.75 per cent. Mandatorily Convertible Notes due 30 September 2009**  
**convertible into fully paid ordinary shares of**

**BARCLAYS PLC**

*(incorporated with limited liability in England)*

**Issue Price 100 per cent.**

The £4,050,000,000 9.75 per cent. Mandatorily Convertible Notes due 30 September 2009 (the "**Notes**") of Barclays Bank PLC (the "**Issuer**") are to be issued on 27 November 2008 (the "**Issue Date**"). The Notes are convertible into fully paid ordinary shares in Barclays PLC (the "**Holding Company**") (the "**Shares**"). See "*Terms and Conditions of the Notes — Conversion*".

The Notes will bear interest from (and including) the Issue Date at the rate of 9.75 per cent. per annum payable quarterly in arrear on 30 December 2008, 30 March 2009, 30 June 2009 and 30 September 2009 (each, an "**Interest Payment Date**"), save that the first interest payment will be made on 30 December 2008 in respect of the period from (and including) the Issue Date to (but excluding) 30 December 2008. Payments in respect of Notes will be made subject to any withholding or deduction for or on account of taxes as is required by law. The Issuer will not be required to pay any additional or further amounts to Noteholders in respect of any such withholding or deduction. See "*Terms and Conditions of the Notes — Taxation*".

Unless previously purchased and cancelled or converted, each Note will, subject to certain conditions described herein, be convertible, at the option of the holder, during the period beginning on the business day following the Issue Date and ending at the close of business (at the place where the relevant Note is deposited for conversion) on the fifth business day prior to 30 June 2009 (the "**Optional Conversion Period**"), into such number of Shares as results from dividing the principal amount of the Note by the Conversion Price in effect on the Optional Conversion Date (as defined in "*Terms and Conditions of the Notes*" below) (rounded down to the nearest whole number of Shares). Noteholders shall not be entitled to receive fractions of a Share and shall not be entitled to receive a cash payment in lieu thereof. Any Noteholder exercising the Optional Conversion Right (as defined in "*Terms and Conditions of the Notes*" below) on any date during the Optional Conversion Period (whether or not such date is an Interest Payment Date) shall not be entitled to any interest accrued on the Notes from the preceding Interest Payment Date or the Issue Date, as the case may be, up until the relevant Optional Conversion Date. See "*Terms and Conditions of the Notes — Optional Conversion*".

Unless previously purchased and cancelled or converted, each Note will be mandatorily and automatically converted on 30 June 2009 (the "**Mandatory Conversion Date**") into such number of Shares as results from dividing the principal amount of the Note by the Conversion Price in effect on the Mandatory Conversion Date (rounded down to the nearest whole number of Shares). Noteholders shall not be entitled to receive fractions of a Share and shall not be entitled to receive a cash payment in lieu thereof. In addition to the issue of the Shares, the holder of each Note subject to mandatory conversion shall be entitled to receive the payment of interest due on the Mandatory Conversion Date. See "*Terms and Conditions of the Notes — Mandatory Conversion*".

See "*Risk Factors*" for a discussion of certain factors that should be considered in connection with an investment in the Notes.

This Prospectus ("**Prospectus**") has been approved by the United Kingdom Financial Services Authority (the "**FSA**") which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom, as a prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of Notes. Applications have been made for the Notes to be admitted to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**"). The Regulated Market of the London Stock Exchange is a regulated market for the purposes of Directive 2004/39/EC on markets in financial instruments.

The Notes and the Shares have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "**Securities Act**"). The Notes have been offered outside the United States in accordance with Regulation S under the Securities Act ("**Regulation S**"), and the Notes and the Shares may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes must not at any time be converted in the United States.

The Notes will be issued in bearer form in the denomination of £50,000. The Notes will be initially represented by a temporary global note (the "**Temporary Global Note**"), without interest coupons, which will be deposited with a common depositary on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**") on or about the Issue Date. The Temporary Global Note will be exchangeable for interests in a permanent global note (the "**Permanent Global Note**"), without interest coupons, on or after the date which is 40 days after the Issue Date, upon certification as to non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable for definitive Notes, with interest coupons, in the denomination of £50,000, only in the limited circumstances set out therein and only after 30 June 2009. See "*Summary of Provisions Relating to the Notes in Global Form*".

**Sole Global Co-ordinator**

**BARCLAYS CAPITAL**

**Joint Bookrunners**

**BARCLAYS CAPITAL**

**JPMORGAN CAZENOVE**

**CREDIT SUISSE**

This Prospectus is dated 25 November 2008.

The Issuer accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Holding Company, BNY Corporate Trustee Services Limited (the "**Trustee**") or any of the Joint Bookrunners that any recipient of this Prospectus should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs of, and its own appraisal of the creditworthiness of, the Issuer and the Holding Company.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances constitute a representation or create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the affairs or condition (financial or otherwise) of the Issuer or the Holding Company since the date of this Prospectus.

In connection with the offer of the Notes, no person is authorised to give any information or to make any representation not contained in this Prospectus and neither the Issuer, the Holding Company nor any of the Joint Bookrunners accept responsibility for any such information or representation. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Holding Company or any of the Joint Bookrunners (as defined in "*Subscription, Placing and Sale*"). This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes or Shares.

The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Holding Company and the Joint Bookrunners to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription, Placing and Sale*". In particular, the Notes and the Shares into which the Notes are convertible have not been, and will not be, registered under the Securities Act and may not be offered, sold, transferred or delivered in the United States absent registration or an applicable exemption from registration requirements. The Notes must not at any time be converted in the United States.

Investors should satisfy themselves that they understand all the risks associated with making investments in the nature of the Notes and the Shares. The Notes are only suitable for financially sophisticated investors who are capable of evaluating the risks involved in investing in the Notes and the Shares. See "*Risk Factors*".

In this Prospectus, all references to "**U.S.\$**" or "**U.S. dollars**" are to the lawful currency of the United States of America, references to "**£**", "**penny**", "**pence**" and "**Sterling**" are to the lawful currency of the United Kingdom and references to "**€**" and "**euro**" are to the lawful currency of the member states of the European Union that have adopted or adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time.

In connection with the offering of the Notes, the Joint Bookrunners and any of their respective affiliates acting as an investor for its or their own account(s) may subscribe for or purchase, as the case may be, Notes or Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its

or their own account(s) in such securities, any other securities of the Issuer or the Holding Company or other related investments in connection with the offering or otherwise. Accordingly, references in this Prospectus to the Notes or Shares being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing by, the Joint Bookrunners or any of them and any of their affiliates acting as an investor for its or their own account(s). The Joint Bookrunners do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

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## INFORMATION INCORPORATED BY REFERENCE

The following information has been filed with the FSA and shall be deemed to be incorporated in, and to form part of, this Prospectus:

- the joint Annual Report of the Issuer and the Holding Company, as filed with the U.S. Securities and Exchange Commission ("SEC") on Form 20-F in respect of the years ended 31 December 2006 and 31 December 2007 (the "**Joint Annual Report**"), with the exception of the information incorporated by reference in the Joint Annual Report referred to in the Exhibit Index of the Joint Annual Report, which shall not be deemed to be incorporated in this Prospectus;
- the Annual Reports of the Issuer containing the audited consolidated accounts of the Issuer in respect of the years ended 31 December 2006 (the "**2006 Issuer Annual Report**") and 31 December 2007 (the "**2007 Issuer Annual Report**"), respectively;
- the unaudited Interim Results Announcement of the Holding Company as filed with the SEC on Form 6-K (File No.: 001-09246; Film No.: 08997427) on 7 August 2008 in respect of the six months ended 30 June 2008 (the "**Interim Results Announcement**") and the unaudited Interim Results Announcement of the Issuer in respect of the six months ended 30 June 2008 (the "**Issuer Interim Results Announcement**");
- the announcement of the Holding Company issued on 13 October 2008 in relation to the Group's capital, dividend and current trading positions as filed with the SEC on Form 6-K on 14 October 2008 (the "**Announcement**");
- the capitalisation and indebtedness table of the Issuer and the Group as at 30 June 2008 as filed with the SEC on Form 6-K on 17 October 2008 (the "**Issuer Capitalisation and Indebtedness Table**"); and
- the capitalisation and indebtedness table of the Holding Company as at 30 June 2008 as filed with the SEC on Form 6-K on 20 October 2008 (the "**Holding Company Capitalisation and Indebtedness Table**").

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

Any information incorporated by reference into the documents set out above does not form part of this Prospectus.

The table below sets out the relevant page references for all of the information contained within the Joint Annual Report as filed on Form 20-F:

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Each of the Issuer and the Holding Company has applied International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union ("**IFRS**") in the financial statements incorporated by reference above. A summary of the significant accounting policies for each of the Issuer and the Holding Company is included in each of the Joint Annual Report, the 2006 Issuer Annual Report and the 2007 Issuer Annual Report.

## KEY FEATURES OF THE OFFERING

*The following key features section refers to certain provisions of the Terms and Conditions of the Notes and the Trust Deed and, insofar as it relates to the Terms and Conditions of the Notes, is qualified by the more detailed information contained elsewhere in this Prospectus. Defined terms used below have the meaning given to them in "Terms and Conditions of the Notes" or elsewhere in this Prospectus.*

<b>Issuer</b>	Barclays Bank PLC
<b>Holding Company</b>	Barclays PLC
<b>Notes</b>	<p>£4,050,000,000 9.75 per cent. Mandatorily Convertible Notes due 2009 of the Issuer convertible into fully paid ordinary shares in the Holding Company (the "<b>Shares</b>").</p> <p>The Holding Company will execute an undertaking (the "<b>Undertaking</b>") pursuant to which the Holding Company will offer to purchase any Notes subject to conversion and will undertake to issue Shares in consideration for the transfer to it or to its order of the relevant Notes.</p>
<b>Shares</b>	<p>The Shares to be issued upon conversion of the Notes will be issued credited as fully paid up having, on the date hereof, a nominal value of 25 pence each and will rank <i>pari passu</i> in all respects with all fully paid Shares in issue on the relevant Optional Conversion Date or Mandatory Conversion Date (each as defined below), as the case may be.</p>
<b>Sole Global Co-ordinator</b>	Barclays Bank PLC
<b>Joint Bookrunners</b>	Barclays Bank PLC Credit Suisse Securities (Europe) Limited and JPMorgan Cazenove Limited
<b>The Offering</b>	<p>The Notes have been offered outside the United States in compliance with Regulation S. Neither the Notes nor the Shares into which the Notes are convertible have been, or will be, registered under the Securities Act. The Notes and such Shares may not be offered, sold, transferred or delivered in the United States absent registration or an applicable exemption from registration requirements. The Notes must not at any time be converted in the United States. For more information, see "<i>Subscription, Placing and Sale — Selling Restrictions — United States of America</i>" below.</p>
<b>Issue Date</b>	The Notes will be issued on 27 November 2008.
<b>Issue Price</b>	100 per cent. of the principal amount of the Notes.
<b>Interest</b>	<p>The Notes will bear interest from (and including) the Issue Date at the rate of 9.75 per cent. per annum payable quarterly in arrear on 30 December 2008, 30 March 2009, 30 June 2009 and</p>

30 September 2009 (each, an "**Interest Payment Date**"), save that the first interest payment will be made on 30 December 2008 in respect of the period from (and including) the Issue Date to (but excluding) 30 December 2008.

**Form and Denomination**

The Notes will be issued in bearer form in the denomination of £50,000. The Notes will be initially represented by a Temporary Global Note, without interest coupons, which will be deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg on or about the Issue Date. The Temporary Global Note will be exchangeable for interests in the Permanent Global Note, without interest coupons, on or after the date which is 40 days after the Issue Date, upon certification as to non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable for definitive Notes, with interest coupons, in the denomination of £50,000, only in the limited circumstances set out therein and only after 30 June 2009.

**Ranking of the Notes**

The Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by provisions of applicable law that are both mandatory and of general application, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

**Final Maturity**

Unless previously purchased and cancelled, the Notes will be redeemed on 30 September 2009 at their principal amount.

**Mandatory Conversion Date**

30 June 2009

**Optional Conversion Period**

The Optional Conversion Period shall begin on the business day following the Issue Date and shall end at the close of business (at the place where the relevant Note is deposited for conversion) on the fifth business day prior to the Mandatory Conversion Date.

**Initial Conversion Price**

153.276 pence

**Optional Conversion Right**

Unless previously purchased and cancelled or converted, each Note will, subject to certain conditions described herein, be convertible, at the option of the holder, at any time during the Optional Conversion Period into such number of Shares as results from dividing the principal amount of the Note by the Conversion Price in effect on the Optional Conversion Date (rounded down to the nearest whole number of Shares). Noteholders shall not be entitled to receive fractions of a Share and shall not be entitled to receive a cash payment in lieu thereof.



Any Noteholder exercising the Optional Conversion Right on any date during the Optional Conversion Period (whether or not such date is an Interest Payment Date) shall not be entitled to any interest accrued on the Notes from the preceding Interest Payment Date or the Issue Date, as the case may be, up until the relevant Optional Conversion Date. See "*Terms and Conditions of the Notes — Optional Conversion*".

### **Mandatory Conversion**

Unless previously purchased and cancelled or converted, each Note will be mandatorily and automatically converted on the Mandatory Conversion Date into such number of Shares as results from dividing the principal amount of the Note by the Conversion Price in effect on the Mandatory Conversion Date (rounded down to the nearest whole number of Shares). Noteholders shall not be entitled to receive fractions of a Share and shall not be entitled to receive a cash payment in lieu thereof.

In addition to the issue of the Shares, the holder of each Note subject to mandatory conversion shall be entitled to receive the payment of interest due on the Mandatory Conversion Date. See "*Terms and Conditions of the Notes — Mandatory Conversion*".

### **Conversion Procedure**

To exercise an Optional Conversion Right or to receive Shares on Mandatory Conversion, a Noteholder will be required to complete, execute and deposit (in accordance with the applicable rules and procedures of Euroclear and Clearstream, Luxembourg, if relevant) at his own expense at the specified office of any Paying and Conversion Agent a duly completed Conversion Notice.

Whilst the Notes are represented by the Temporary Global Note and/or the Permanent Global Note, the Optional Conversion Rights will be exercisable and the Mandatory Conversion will be effected by presentation of the Temporary Global Note and/or the Permanent Global Note, as the case may be, to or to the order of the Principal Paying and Conversion Agent for notation of exercise of the relevant Optional Conversion Rights or upon Mandatory Conversion, as the case may be, together with one or more duly completed Conversion Notices. Upon exercising the Optional Conversion Right or upon Mandatory Conversion, the Noteholder shall in the relevant Conversion Notice confirm, amongst other things, its instructions to transfer such Note to the Principal Paying and Conversion Agent for the account of the Holding Company as consideration for the issue by the Holding Company of fully paid Shares to the Noteholder by delivery of such Shares into CREST or as the Noteholder otherwise directs in the relevant notice (subject to any applicable fiscal or other

laws or regulations and as hereinafter provided).

In respect of the Mandatory Conversion and whilst the Notes are represented by the Temporary Global Note and/or the Permanent Global Note, in the event that a Noteholder does not deliver an instruction to transfer its interest in the Temporary Global Note or the Permanent Global Note, as the case may be, to the Principal Paying and Conversion Agent for the account of the Holding Company, deliver a Conversion Notice to a Paying and Conversion Agent and pay the conversion expenses to the Issuer on or prior to the day falling four business days prior to the Mandatory Conversion Date, such Noteholder will be deemed to have irrevocably authorised Euroclear or Clearstream, Luxembourg, as the case may be, to hold such Notes in a blocked account, subject as provided below. The Shares issued by the Holding Company in respect of the Notes held by such Noteholder will be issued to the Trustee (or one or more other duly appointed nominees) or as the Trustee may direct on the Mandatory Conversion Date. All of such Shares shall be sold by or on behalf of the Trustee (or such nominees) as soon as practicable, and (subject to the deduction of costs and expenses (including any stamp, transfer, registration or similar duties payable)) the net proceeds of sale together with any such cash amount paid to the Trustee (or such nominees) shall be held by or on behalf of the Trustee (or such nominees) and distributed rateably to the relevant Noteholders or in such other manner as the Trustee (or such nominees) shall determine and notify to Noteholders. The Holding Company shall be entitled to have transferred to it or to its order all such Notes held in such blocked accounts against payment to the relevant Noteholder of such net proceeds of sale.

#### **Adjustment to Conversion Price**

The Conversion Price is subject to adjustment in the following circumstances:

- (i) if on any date (the "**Relevant Date**") in the period commencing on the Issue Date and ending on the Optional Conversion Date or the Mandatory Conversion Date, as the case may be, the Holding Company issues any Shares or certain other securities and rights for a subscription price (the "**Future Placing Price**") which is less than the then current Conversion Price, then the Conversion Price shall be adjusted with effect from the Relevant Date so that it equals the Future Placing Price, provided that in any such case:

- (a) the Conversion Price shall not be reduced below the then par value (currently £0.25 per Share); and
  - (b) for the avoidance of doubt, any such adjustment to the Conversion Price shall only be a downward adjustment;
- (ii) if the Holding Company distributes an Extraordinary Dividend (as defined in "*Terms and Conditions of the Notes*" below), which shall be the case:
  - (a) if a Dividend (as defined in "*Terms and Conditions of the Notes*" below) is expressed by the Holding Company to be a capital distribution, extraordinary dividend or similar term and the amount of such Extraordinary Dividend will be the Fair Market Value (as defined in "*Terms and Conditions of the Notes*" below) of the entire amount of such Dividend; or
  - (b) if a Dividend causes both the Aggregate Distributable Earnings Threshold and the Reference Dividend Threshold (each as described below) to be exceeded and the amount of such Extraordinary Dividend will be the smaller of (A) the amount (if any) by which the Fair Market Value of the relevant Dividend causes the Aggregate Distributable Earnings Threshold to be exceeded; and (B) the amount (if any) by which the Fair Market Value of the relevant Dividend causes the Reference Dividend Threshold to be exceeded, where:

*Aggregate Distributable Earnings Threshold:* if the aggregate of the Fair Market Value of the relevant Dividend and all other non-Extraordinary Dividends previously distributed in respect of all financial years of the Holding Company ending after 31 December 2007 exceeds the Aggregate Distributable Earnings (as defined in "*Terms and Conditions of the Notes*" below) of the Holding Company in respect of all financial years of the Holding Company ending after 31 December 2007; and

*Reference Dividend Threshold:* if the aggregate of the Fair Market Value (on a per share basis) of the relevant Dividend and all other non-Extraordinary Dividends charged for in the financial statements in respect of the same financial year of the Holding Company as the relevant Dividend is more than twice the Fair Market Value of the aggregate value (on a per share basis) of Dividends distributed for the financial year of the Holding Company which ended on 31 December 2007; and

- (iii) in the event of the occurrence of certain dilutive events including, amongst others, bonus issues, alterations to the nominal value or redenominations of the Shares and rights issues.

#### **No Adjustment**

No adjustment shall be made to the Conversion Price where Shares or other securities are issued (i) to or for the benefit of employees or former employees (including directors holding or formerly holding executive office) of the Holding Company or any subsidiary or any associated company of the Holding Company pursuant to any employees' share scheme; (ii) in relation to any Corporate Event (as defined below); and (iii) to the extent Shares are required to be issued under the Warrants (as defined in "*Description of the Issuer, the Holding Company and the Group*" below).

#### **Corporate Events**

If any of the following corporate events (each, a "**Corporate Event**") occurs:

- (i) a consolidation, amalgamation or merger of the Holding Company with any other corporation (other than a consolidation, amalgamation or merger in which the Holding Company is the continuing corporation);
- (ii) a takeover offer is made under the City Code on Takeovers and Mergers (or any equivalent or similar rules or regulations) or any scheme of arrangement is effected in respect of the whole of the issued Shares of the Holding Company, as a result of which (x) the whole of the issued Shares of the Holding Company are acquired by another entity, or (y) the holding company which, immediately prior to such event, was the ultimate holding company of the Holding Company's group of companies, ceases to be such ultimate holding company;
- (iii) a scheme of arrangement or analogous arrangement is effected as a result of which a limited liability company ("**NewCo**") is interposed between the shareholders of the Holding Company immediately prior to such scheme of

arrangement or analogous arrangement ("**Existing Shareholders**"), and the Holding Company, provided, however, that only ordinary shares of NewCo are issued to Existing Shareholders and that immediately after completion of the scheme of arrangement the only shareholders of NewCo are the Existing Shareholders and that all Subsidiaries of the Holding Company immediately prior to the scheme of arrangement (other than NewCo, if NewCo is then a Subsidiary of the Holding Company) are Subsidiaries of the Holding Company (or of NewCo) immediately after the scheme of arrangement;

- (iv) an offer is made to all (or as near as practicable all) the shareholders of the Holding Company, the result of which offer is the exchange of all of the issued Shares for shares of the offeror and/or any associates of the offeror (as defined in Section 988(1) of the Companies Act 2006 or any modification or re-enactment thereof); or
- (v) an event the effect of which is similar to any of the above and which event requires the approval of the shareholders of the Holding Company,

then the Holding Company shall promptly notify the Noteholders of such Corporate Event and (so far as legally possible) use all reasonable endeavours to cause the corporation resulting from such consolidation, amalgamation or merger or the offeror or the new holding company, as the case may be, to execute a deed poll providing that the Noteholders shall have the right (during the Optional Conversion Period) to convert the Notes into, and to receive on a Mandatory Conversion, as the case may be, the class and amount of shares and other securities and property receivable upon such Corporate Event by a holder of the number of Shares as would have been issued on conversion of a Note had the relevant Optional Conversion Date or Mandatory Conversion Date, as the case may be, fallen immediately prior to such Corporate Event.

See "*Terms and Conditions of the Notes — Corporate Reorganisation*".

#### **Events of Default**

Events of Default include non payment of interest, breach of other obligations and insolvency of the Issuer.

#### **Taxation**

Payments in respect of Notes will be made subject to any withholding or deduction for or on account of taxes as is required by law. The Issuer will not be required to pay any additional or further amounts to Noteholders in respect of such

withholding or deduction.

**Governing Law**

The Notes, the Trust Deed constituting the Notes and the Undertaking will be governed by English law.

**Trustee**

BNY Corporate Trustee Services Limited

**Principal Paying and Conversion Agent**

The Bank of New York Mellon, London Branch

**Listing and Trading**

Applications have been made for the Notes to be admitted to listing on the Official List of the Financial Services Authority and to trading on the Regulated Market of the London Stock Exchange. The Shares trade on the Regulated Market of the London Stock Exchange under the symbol "BARC".

**Ratings**

The Notes will not be specifically rated.

## **RISK FACTORS**

*This section describes the principal risk factors associated with an investment in the Notes. Prospective purchasers of the Notes should consider carefully all the information contained in this Prospectus, including the considerations set out below, before making any investment decision. Defined terms used herein have the meaning given to them in "Terms and Conditions of the Notes" or elsewhere in this Prospectus.*

### **Risks Relating To The Notes**

*The Notes may not be a suitable investment for all investors*

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (iii) understand thoroughly the terms of the Notes and be familiar with the behaviour of financial markets in which they participate; and
- (iv) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

*There is no active trading market for the Notes*

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition and prospects of the Issuer, the Holding Company and the Group.

Although applications have been made for the Notes to be admitted to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange, there is no assurance that such applications will be accepted or that an active trading market will develop and, if such a market were to develop, that it will be sustained throughout the life of the Notes and none of the Issuer, the Holding Company and the Joint Bookrunners are under any obligation to maintain such a market. The liquidity and the market prices for the Notes can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Issuer, the Holding Company or the Group and other factors that generally influence the market prices of securities.

*Noteholders will bear the risk of fluctuation in the price of the Shares*

The market price of the Notes may be affected by fluctuations in the market price of the Shares and it is impossible to predict whether the price of the Shares will rise or fall. Trading prices of the Shares will be influenced by, among other things, the financial position of the Holding Company and the Group,

their results of operations and political, economic, financial and other factors. Any decline in the price of the Shares may have an adverse effect on the market price of the Notes.

Future issues or sales of the Shares may significantly affect the trading price of the Notes or the Shares. The future issue of Shares by the Holding Company or the disposal of Shares by any of the major shareholders of the Holding Company or the perception that such issues or sales may occur may significantly affect the trading price of the Notes and the Shares. There can be no assurance that the Holding Company will not issue Shares or that any such substantial shareholder will not dispose of, encumber, or pledge its Shares or related securities.

*Risks attached to the exercise of Optional Conversion Rights*

Depending on the performance of the Shares, the value of Shares on any Optional Conversion Date may be substantially lower than at the time the Notes were initially purchased by investors. In addition, the value of the Shares to be delivered upon conversion of Notes may vary substantially between the date on which the Optional Conversion Rights are exercised under the Notes and the date on which such Shares are delivered.

*Noteholders may not receive certain interest payments on the Notes*

If a Noteholder elects to exercise the Optional Conversion Right attaching to any Note:

- (i) if the Optional Conversion Date falls on an Interest Payment Date, the Noteholder will not be entitled to receive the payment of interest otherwise due on such Interest Payment Date; and
- (ii) in any other case, the Noteholder will cease to be entitled to any interest accrued on the relevant Note since the Interest Payment Date immediately preceding such Optional Conversion Date (or, if such Optional Conversion Date falls on or before the first Interest Payment Date, since the Issue Date),

and, in either case, no payment or adjustment will be made on conversion for any such interest accrued since the Interest Payment Date immediately preceding such Optional Conversion Date (or, if such Optional Conversion Date falls on or before the first Interest Payment Date, since the Issue Date).

*Risks attached to Mandatory Conversion*

The holder of each Note will have the right to convert such Note into fully-paid Shares at any time during the Optional Conversion Period and any Notes which remain outstanding at the end of the Optional Conversion Period will be mandatorily and automatically converted into Shares on the Mandatory Conversion Date (unless previously purchased and cancelled or the Trustee has declared the Notes to be due and payable upon the occurrence of an event of default). There is no option for the Issuer or the Noteholders to redeem the Notes.

Depending on the performance of the Shares, the value of Shares to be issued upon Mandatory Conversion of a Note may be less than the principal amount of such Note.

Upon the Mandatory Conversion of any Note, the Noteholder will be entitled to receive the payment of interest due on the Mandatory Conversion Date.



*Failure by a Noteholder to comply with the requirements for the Mandatory Conversion shall restrict such Noteholder from receiving Shares*

If a Noteholder does not satisfy the pre-conditions for a Mandatory Conversion by four business days prior to the Mandatory Conversion Date, the Shares and any cash amount due in accordance with the Terms and Conditions of the Notes will be issued and paid to the Trustee or as the Trustee may direct (or one or more duly appointed nominees) on the Mandatory Conversion Date. Upon issue of the Shares and payment of such cash amount to or to the order of the Trustee (or such nominees), such Noteholder shall have no further rights under such Notes and its only entitlement shall be to the net proceeds of sales of the Shares and any such cash amount paid to or to the order of the Trustee (or such nominees), subject to and in accordance with Condition 12(e) (*Mandatory Conversion — Failure by the Noteholder*).

*Because the Temporary Global Note and the Permanent Global Note are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer*

The Notes will be represented by the Temporary Global Note and/or the Permanent Global Note except in certain limited circumstances described in the Permanent Global Note. The Temporary Global Note and the Permanent Global Note will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Temporary Global Note and the Permanent Global Note. While the Notes are represented by the Temporary Global Note and/or the Permanent Global Note, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Temporary Global Note and/or Permanent Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Temporary Global Note and the Permanent Global Note.

Holders of beneficial interests in the Temporary Global Note and/or the Permanent Global Note will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

*Meetings, modification and waivers*

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes.

## **Risks Relating to the Issuer, the Holding Company and the Group**

### *Business Conditions and General Economy*

The profitability of the Issuer's, the Holding Company's and the Group's businesses could be adversely affected by the worsening of general economic conditions in the United Kingdom, globally or in certain individual markets such as the United States or South Africa. Factors such as interest rates, inflation, investor sentiment, the availability and cost of credit, the liquidity of the global financial markets and the level and volatility of equity prices could significantly affect the Group's customers' activity levels and financial position. For example:

- the current economic downturn or significantly higher interest rates or continued lack of credit availability to the Group's customers could adversely affect the credit quality of the Group's on-balance sheet and off-balance sheet assets by increasing the risk that a greater number of the Group's customers would be unable to meet their obligations;
- a market downturn or worsening of the economy could cause the Group to incur further mark to market losses in its trading portfolios;
- a market downturn could reduce the fees the Group earns for managing assets. For example, a downturn in trading markets could affect the flows of assets under management; and
- a market downturn would be likely to lead to a decline in the volume of transactions that the Group executes for its customers and, therefore, lead to a decline in the income it receives from fees and commissions and interest.

### *Current Market Volatility and Recent Market Developments*

The global financial system has been experiencing difficulties since August 2007 and the financial markets have deteriorated dramatically since the bankruptcy filing of Lehman Brothers in September 2008. Together with the significant declines in the housing markets in the United Kingdom, the United States and other countries, these events over the past two years have contributed to significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks. These write-downs have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have substantially reduced, and in some cases, halted their funding to borrowers, including other financial institutions.

While the capital and credit markets have been experiencing volatility and disruption for more than 12 months, the volatility and disruption has reached unprecedented levels in recent months and there has been increasing expectation in financial markets of a global recession. These conditions have produced downward pressure on stock prices and credit capacity for certain issuers.

The resulting lack of credit, lack of confidence in the financial sector, increased volatility in the financial markets and reduced business activity could materially and adversely affect the Group's business, financial condition and results of operations.

### *Soundness of other Financial Institutions*

The Group is exposed to many different industries and counterparties in the normal course of its business, but its exposure to counterparties in the financial services industry is particularly significant.

This exposure can arise through trading, lending, deposit-taking, clearance and settlement and many other activities and relationships. These counterparties include brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these relationships expose the Group to credit risk in the event of default of a counterparty or client. In addition, the Group's credit risk may be exacerbated when the collateral it holds cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure it is due. Many of the hedging and other risk management strategies utilised by the Group also involve transactions with financial services counterparties. The failure of these counterparties to settle or the perceived weakness of these counterparties may impair the effectiveness of the Group's hedging and other risk management strategies.

#### *Effect of Governmental Policy and Regulation*

The Group's businesses and earnings can be affected by the fiscal or other policies and other actions of various governmental and regulatory authorities in the United Kingdom, the European Union ("EU"), the United States, South Africa and elsewhere. All these are subject to change, particularly in the current market environment where recent developments in the global markets have led to an increase in the involvement of various governmental and regulatory authorities in the financial sector and in the operations of financial institutions. In particular, governmental and regulatory authorities in the United Kingdom, the United States and elsewhere are implementing measures to increase regulatory control in their respective banking sectors including by imposing enhanced capital requirements or by imposing conditions on direct capital injections and funding. Any future regulatory changes may potentially restrict the Group's operations, mandate certain lending activity and impose other compliance costs. It is uncertain how the more rigorous regulatory climate will impact financial institutions including the Group.

Areas where changes could have an impact include:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which the Group operates;
- general changes in the regulatory requirements, for example, prudential rules relating to the capital adequacy framework and rules designed to promote financial stability and increase depositor protection;
- changes in competition and pricing environments, including, for example, relating to the proposed acquisition of HBOS by Lloyds TSB;
- further developments in the financial reporting environment;
- expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; and
- other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for the Group's products and services.

#### *Regulatory Compliance Risk*

Regulatory compliance risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial service industry. Non-compliance could lead to fines,

public reprimands, damage to reputation, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate.

Details of the current regulatory proceedings in which the Group is involved are set out "*Description of the Issuer, the Holding Company and the Group — Competition and regulatory matters*". It is not possible for the Group to predict what other similar regulatory proceedings may arise in the future.

Notwithstanding anything in this risk factor, this risk factor should not be taken to imply that any member of the Group will be unable to comply with its obligations as a supervised firm regulated by the FSA.

#### *Banking (Special Provisions) Act 2008*

Under the Banking (Special Provisions) Act 2008 the UK Treasury (the "**Treasury**") has been given certain powers in relation to authorised UK deposit takers (such as the Issuer). These comprise entities incorporated in or formed under the laws of any part of the United Kingdom who have permission to accept deposits under Part 4 of the Financial Services and Markets Act 2000 (the "**FSMA**") (or their UK subsidiaries). These powers last until 21 February 2009 and are capable of having retrospective effect. They can be exercised in certain circumstances namely: (i) to maintain the stability of the UK financial system in circumstances where the Treasury considers that there would be a serious threat to its stability; or (ii) to protect the public interest in circumstances where financial assistance has been provided by the Treasury to the deposit taker for the purpose of maintaining the stability of the UK financial system.

The powers are wide ranging and may entail divesting the authorised UK deposit-taker of its assets or transferring ownership of any securities issued by the authorised UK deposit-taker irrespective of any encumbrance or trust over them. Accordingly the enforceability of the obligations of the Issuer could be affected if the Treasury were to exercise such powers.

If such powers were to be exercised, the Treasury is required to make provision for compensation or consideration (depending upon whether a public or private entity has acquired the asset) to be paid, in the case of securities, to the holder of the assets, which may not be the encumbrancer.

#### *Banking Bill 2008*

On 7 October 2008, the Banking Bill 2008 (the "**Bill**") was published which, if enacted, would in large part implement on a permanent basis the temporary powers granted to the Treasury under the Banking (Special Provisions) Act 2008. The Bill, if enacted, would provide the Bank of England with two stabilisation powers, in respect of UK-incorporated deposit-taking institutions, such as the Issuer, which are (i) private sale and (ii) transfer to a government owned "bridge bank". In addition, the Treasury would be given the power to implement the nationalisation of such institutions. It is difficult to determine the full impact of the Bill and there can be no assurance that the Noteholders will not be adversely affected by an action taken under it once it is finalised and implemented (assuming that should occur).

#### *Financial Services Compensation Scheme*

The Financial Services Compensation Scheme (the "**FSCS**") was created under the FSMA and is the UK's statutory fund of last resort for customers of authorised financial services firms. The FSCS can pay compensation to customers if a firm is unable, or likely to be unable, to pay claims against it. The FSCS is funded by levies on authorised UK deposit takers such as the Issuer. In the event that the FSCS

raises funds from the authorised firms, raises those funds more frequently or significantly increases the levies to be paid by such firms, the associated costs to the Issuer may have a material impact on the Group's results of operations and financial condition.

#### *Credit Risk*

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk may also arise where the downgrading of an entity's credit rating causes the fair value of the Group's investment in that entity to fall. The credit risk that the Group faces arises mainly from commercial and consumer loans and advances, including credit card lending.

In a recessionary environment, such as that ongoing, credit risk increases. Credit risk may also be manifested as country risk where difficulties may arise in the country in which the exposure is domiciled, thus impeding or reducing the value of the assets, or where the counterparty may be the country itself. Another form of credit risk is settlement risk, which is the possibility that the Group may pay a counterparty — for example, a bank in a foreign exchange transaction — but fail to receive the corresponding settlement in return.

#### *Market Risk*

Market risk is the risk that the Group's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. Market risk has increased due to the volatility of the current financial markets. The main market risk arises from trading activities. The Group is also exposed to interest rate risk in the banking book and market risk in the pension fund.

#### *Operational Risk*

Operational risk is the risk of direct or indirect losses resulting from human factors, external events, and inadequate or failed internal processes and systems. Operational risks are inherent in the Group's operations and are typical of any large enterprise. Major sources of operational risk include operational process reliability, IT security, outsourcing of operations, dependence on key suppliers, implementation of strategic change, integration of acquisitions, fraud, human error, customer service quality, regulatory compliance, recruitment, training and retention of staff, and social and environmental impacts.

Notwithstanding anything in this risk factor, this risk factor should not be taken to imply that the Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List or that any member of the Group will be unable to comply with its obligations as a supervised firm regulated by the FSA.

#### *Capital Risk*

Capital risk is the risk that the Group has insufficient capital resources to:

- meet minimum regulatory capital requirements in the UK and in other jurisdictions such as the United States and South Africa where regulated activities are undertaken. The Group's authority to operate as a bank is dependent upon the maintenance of adequate capital resources;

- support its credit rating. In addition to capital resources, the Group's rating is supported by a diverse portfolio of activities, an increasingly international presence, consistent profit performance, prudent risk management and a focus on value creation. A weaker credit rating would increase the Group's cost of funds; and
- support its growth and strategic options.

During periods of market dislocation increasing the Group's capital resources may prove more difficult or costly. Regulators have also recently increased the Group's capital targets and amended the way in which capital targets are calculated and may further do so in future. This would constrain the Group's planned activities and contribute to adverse impacts on the Group's earnings.

### *Liquidity Risk*

This is the risk that the Group is unable to meet its obligations when they fall due and to replace funds when they are withdrawn, with consequent failure to repay depositors and fulfil commitments to lend. The risk that it will be unable to do so is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

The Issuer's, the Holding Company's and the Group's liquidity risk management has several components:

- intra-day monitoring to maintain sufficient liquidity to meet all settlement obligations;
- mismatch limits to control expected cashflows and maturing liabilities;
- monitoring of undrawn lending commitments, overdrafts and contingent liabilities; and
- diversification of liquidity sources by geography and provider.

During periods of market dislocation, such as those currently ongoing, the Issuer's, the Holding Company's and the Group's ability to manage liquidity requirements may be impacted by a reduction in the availability of wholesale term funding for market participants, as well as an increase in the cost of raising wholesale funds.

### *Fair Value Accounting and Use of Estimates*

Some of the Group's financial instruments are carried at fair value through profit or loss such as those held for trading, designated by management under the fair value option and non-cash flow hedging derivatives. To establish the fair value of these instruments, the Issuer, the Holding Company and the Group rely on quoted market prices in active markets or, where the market for a financial instrument is not sufficiently active, valuation techniques that utilise, wherever possible, observable market inputs. Observable inputs for such valuation models may have become unavailable due to the disappearance over the past months of active markets for certain instruments.

To the extent that valuation is based on models or inputs that are not observable in the market, the determination of fair value can be subjective, dependant on the significance of the unobservable input to the overall valuation. Unobservable inputs are determined based on the best information available, for example by reference to similar assets, similar maturities, appropriate proxies, or other analytical techniques. The effect of changing the assumptions for those financial instruments for which the fair values are measured using valuation techniques that are determined in full or in part on assumptions

that are not supported by observable inputs may have a material adverse effect on the Group's earnings.

Financial institutions may use different accounting categorisations for the same or similar financial assets due to their different intentions regarding those assets. In determining fair value of financial instruments, different financial institutions may use different valuation techniques, assumptions, judgements and estimates which may result in lower or higher fair values for such financial instruments.

#### *Credit Market Exposures*

The Issuer's, the Holding Company's and the Group's future earnings could be affected by depressed asset valuations resulting from a deterioration in market conditions. Financial markets are sometimes subject to stress conditions where steep falls in asset values can occur, as demonstrated by recent events affecting asset-backed CDOs and the US sub-prime residential mortgage market and which may occur in other asset classes during an economic downturn. Severe market events are difficult to predict and, if they continue to occur, could result in the Issuer and the Group incurring additional losses.

In 2007 and in 2008, the Group has recorded material net losses on certain credit market exposures, including ABS CDO Super Senior exposures. As market conditions change, the fair value of these exposures could fall further and result in additional losses or impairment charges, which could have a material adverse effect on the Group's earnings. Such losses or impairment charges could derive from: a decline in the value of exposures; a decline in the ability of counterparties, including monoline insurers, to meet their obligations as they fall due; or the ineffectiveness of hedging and other risk management strategies in circumstances of severe stress.

Any value ultimately realised by the Group on sale of an asset will depend on the prices achievable in the market following the decision to sell which may be higher or lower than the asset's current estimated value. If there is a shortfall between the proceeds obtained on disposal and the carrying value of the asset on the balance sheet there would be an adverse effect on the Group's earnings.

#### *Assets Originated for Resale or Securitisation*

In illiquid markets, the Group may decide to hold assets rather than securitising, syndicating or disposing of them. This could restrict the Group's ability to enter into subsequent lending or other transactions as a result of the effect on capital adequacy ratios, which could have an adverse effect on the Group's ability to expand its earnings and operations.

#### *Business Risk*

Business risk is the risk of adverse outcomes resulting from a weak competitive position or from poor choice of strategy, markets, products, activities or structures. Major potential sources of business risk include revenue volatility due to factors such as macroeconomic conditions, inflexible cost structures, uncompetitive products or pricing and structural inefficiencies.

#### *Insurance Risk*

Insurance risk is the risk that the Group will have to make higher than anticipated payments to settle claims arising from its long-term and short-term insurance businesses.

### *Legal Risk*

The Group is subject to a comprehensive range of legal obligations in all countries in which it operates. As a result, the Group is exposed to many forms of legal risk, which may arise in a number of ways. Primarily:

- the Group's business may not be conducted in accordance with applicable laws around the world;
- contractual obligations may either not be enforceable as intended or may be enforced against the Group in an adverse way;
- the intellectual property of the Group (such as its trade names) may not be adequately protected; and
- the Group may be liable for damages to third parties harmed by the conduct of its business.

The Group faces risk where legal proceedings are brought against it. Regardless of whether such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in financial loss. Defending legal proceedings can be expensive and time-consuming and there is no guarantee that all costs incurred will be recovered even if the Group is successful. Although the Group has processes and controls to manage legal risks, failure to manage these risks could impact the Group adversely, both financially and by reputation.

### *Tax Risk*

The Group is subject to the tax laws in all countries in which it operates. A number of double taxation agreements entered between two countries also impact on the taxation of the Group. The Group is also subject to European Community tax law. Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to an additional tax charge. It could also lead to a financial penalty for failure to comply with required tax procedures or other aspects of tax law.

If, as a result of a particular tax risk materialising, the tax costs associated with particular transactions are greater than anticipated, it could affect the profitability of those transactions.

The Group takes a responsible and transparent approach to the management and control of its tax affairs and related tax risk:

- tax risks are assessed as part of the Group's formal governance processes and are reviewed by the Executive Committee, Group Finance Director and the Board Risk Committee;
- the tax charge is also reviewed by the Board Audit Committee;
- the tax risks of proposed transactions or new areas of business are fully considered before proceeding;
- the Group takes appropriate advice from reputable professional firms;
- the Group employs high-quality tax professionals and provides ongoing technical training;
- the tax professionals understand and work closely with the different areas of the business;



- the Group uses effective, well-documented and controlled processes to ensure compliance with tax disclosure and filing obligations; and
- where disputes arise with tax authorities with regard to the interpretation and application of tax law, the Group is committed to addressing the matter promptly and resolving the matter with the tax authority in an open and constructive manner.

#### *Impact of Strategic Decisions taken by the Group*

The Group devotes substantial management and planning resources to the development of strategic plans for organic growth and identification of possible acquisitions, supported by substantial expenditure to generate growth in customer business. If these strategic plans do not deliver as anticipated, the Group's earnings could grow more slowly or decline.

#### *Competition*

The global financial services markets in which the Group operates are highly competitive. Innovative competition for corporate, institutional and retail clients and customers comes both from incumbent players and a steady stream of new market entrants, as well as recent consolidation among banking institutions in the United Kingdom, the United States and throughout Europe. The landscape is expected to remain highly competitive in all areas, which could adversely affect the Group's profitability if the Group fails to retain and attract clients and customers.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes substantially as they will appear in the trust deed constituting the Notes. For ease of reference these terms and conditions are divided into sections dealing with: the definitions used in these terms and conditions (Conditions 1-2); the debt security (Conditions 3-9); conversion (Conditions 10-14); adjustments to the conversion price (Conditions 15-31); covenants relating to conversion (Conditions 32-35); and miscellaneous provisions (Conditions 36-44). This paragraph, and any other paragraphs appearing in italics in these terms and conditions, do not form part of these terms and conditions.*

### INTRODUCTION AND DEFINITIONS

#### 1. Introduction

- (a) *The Notes:* The expression the "**Notes**" refers to the £4.05 billion 9.75 per cent. Mandatorily Convertible Notes due September 2009 of Barclays Bank PLC (the "**Issuer**").
- (b) *Trust Deed:* The Notes are subject to, and have the benefit of, a trust deed dated 27 November 2008 (as amended or supplemented from time to time, the "**Trust Deed**") between the Issuer and BNY Corporate Trustee Services Limited as trustee (the "**Trustee**", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed).
- (c) *Agency Agreement:* The Notes are also the subject of an agency agreement dated 27 November 2008 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, The Bank of New York Mellon, London Branch as principal paying and conversion agent (the "**Principal Paying and Conversion Agent**", which expression includes any successor principal paying and conversion agent appointed from time to time in connection with the Notes), the paying and conversion agents described therein (together with the Principal Paying and Conversion Agent, the "**Paying and Conversion Agents**", which expression includes any successor or additional paying and conversion agents appointed from time to time in connection with the Notes) and the Trustee.
- (d) *Undertaking:* Barclays PLC (the "**Holding Company**") has executed an undertaking pursuant to which the Holding Company has offered to purchase any Notes subject to conversion pursuant to these Conditions and undertaken to issue Shares in consideration for the transfer to it or to its order of the relevant Notes (the "**Undertaking**").
- (e) *Summaries:* Certain provisions of these Conditions are summaries of the Trust Deed, the Agency Agreement and the Undertaking and subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Agency Agreement and the Undertaking applicable to them. Copies of the Trust Deed, the Agency Agreement and the Undertaking are available for inspection by Noteholders during normal business hours at the registered office for the time being of the Trustee, being at the date hereof One Canada Square, London E14 5AL and at the Specified Offices of each of the Paying and Conversion Agents, the initial Specified Offices of which are set out below.

#### 2. Interpretation

- (a) *Definitions:* In these Conditions the following expressions have the following meanings:

"**Additional Shares**" has the meaning given in Condition 28(b) (*Retroactive Adjustments - Adjustment to the Optional Conversion Right*);

"**Aggregate Consideration**" has the meaning given in Condition 29(a) (*Aggregate Consideration and Consideration per Share - Applicability of this Condition*);

"**Aggregate Distributable Earnings**" has the meaning given in Condition 16(c) (*Extraordinary Dividends - Aggregate Distributable Earnings*);

"**Aggregate Distributable Earnings Threshold**" means the threshold determined in accordance with Condition 16(b) (*Extraordinary Dividends - Aggregate Distributable Earnings Threshold*);

"**Bonus Issue**" means any issue of Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) which does not constitute a Dividend;

"**Consideration per Share**" has the meaning given in Condition 29(a) (*Aggregate Consideration and Consideration per Share - Applicability of this Condition*);

"**Conversion Expenses**" has the meaning given in Condition 11(c) (*Procedure for Option Conversion - Conversion Expenses*);

"**Conversion Notice**" means a notice of conversion in the form (for the time being current) obtainable from the Specified Office of any Paying and Conversion Agent;

"**Conversion Price**" has the meaning given in Condition 10(d) (*Optional Conversion - Conversion Price*);

"**Corporate Event**" has the meaning given in Condition 34(a) (*Corporate Reorganisation - Merger*);

"**Current Market Price**" means in respect of a Share at a particular date, the arithmetic average of the Volume-Weighted Average Price of a Share for each of the five consecutive Exchange Business Days ending on the Exchange Business Day immediately preceding such date (the "**Relevant Period**"), *provided that*:

- (i) if on any Exchange Business Day in the Relevant Period the Volume-Weighted Average Price shall have been based on a price ex-Dividend (or ex-any other entitlement) and during some other part of that period the Volume-Weighted Average Price shall have been based on a price cum-Dividend (or cum-any other entitlement), then:
  - (A) if the Shares to be issued do not rank for the Dividend (or entitlement) in question, the Volume-Weighted Average Price on the dates on which the Volume-Weighted Average Price shall have been based on a price cum-Dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be reduced by an amount equal to the Fair Market Value of that Dividend (or entitlement) per Share as at the first date on which the Shares are traded ex-Dividend (excluding any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of the United Kingdom); or

- (B) if the Shares to be issued do rank for the Dividend (or entitlement) in question, the Volume-Weighted Average Price on the dates on which the Volume-Weighted Average Price shall have been based on a price ex-Dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to have been increased by an amount equal to the Fair Market Value of such Dividend (or entitlement) per Share as at the first date on which the Shares are traded ex-Dividend (excluding any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of the United Kingdom); and
- (ii) if on each of the five Exchange Business Days during the Relevant Period the Volume-Weighted Average Price shall have been based on a price cum-Dividend (or cum-any other entitlement) in respect of a Dividend (or other entitlement) which has been declared or announced but the Shares to be delivered do not rank for that Dividend (or other entitlement) the Volume-Weighted Average Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that Dividend (or other entitlement) per Share (excluding any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of the United Kingdom); and
- (iii) if the Volume-Weighted Average Price is not available on one or more of the five Exchange Business Days during the Relevant Period, then the arithmetic average of the Volume-Weighted Average Prices which are available in the Relevant Period shall be used (subject to a minimum of two such closing prices); and
- (iv) if the Volume-Weighted Average Price is not available on any date, or is only available on one date, in the Relevant Period, then the Current Market Price shall be Determined by an Expert;

**"Day Count Fraction"** means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the product of (1) the number of days in the Regular Period in which the relevant period falls and (2) four;

**"Determined by an Expert"** means determined in good faith by an Expert acting as an expert;

**"Dividend"** means any dividend or distribution (including a Spin-Off) whether of cash, assets or other property, and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to holders upon or in connection with a reduction of capital (and for these purposes a distribution of assets includes without limitation an issue of Shares or other securities credited as fully or partly paid up by way of capitalisation of profits or reserves), provided that:

- (a) where a Dividend in cash is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of cash, then, for the purposes of this definition, the Dividend in question shall be treated as a Dividend of the greater of (i) such cash amount and (ii) the Current Market Price of such Shares or, as the case may be, Fair Market Value of

such other property or assets (as at the first date on which the Shares are traded ex-such Dividend or capitalisation (as the case may be) or if later, the date on which the number of Shares (or amount of property or assets, as the case may be) which may be issued or transferred and delivered is determined);

- (b) any issue of Shares falling within Condition 17 (*Bonus Issues*) shall be disregarded;
- (c) a purchase or redemption or buy back of share capital of the Holding Company by or on behalf of the Holding Company or any of its Subsidiaries shall not constitute a Dividend unless, in the case of a purchase or redemption or buy back of Shares by or on behalf of the Holding Company or any of its Subsidiaries, the weighted average price per Share (before expenses) on any one day (a "**Specified Share Day**") in respect of such purchases or redemptions or buy backs (translated, if not in Sterling, into Sterling at the Screen Rate on such day exceeds by more than 5 per cent. the average of the closing prices of the Shares on the Relevant Exchange (as published by or derived from the Relevant Exchange) on the five dealing days immediately preceding the Specified Share Day or, where an announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases, redemptions or buy backs approved by a general meeting of Shareholders or any notice convening such a meeting of Shareholders) has been made of the intention to purchase, redeem or buy back Shares at some future date at a specified price or where a tender offer is made, on the five dealing days immediately preceding the date of such announcement or the date of first public announcement of such tender offer (and regardless whether or not a price per Share, a minimum price per Share or a price range or a formula for the determination thereof is or is not announced at such time), as the case may be, in which case such purchase, redemption or buy back shall be deemed to constitute a Dividend in Sterling to the extent that the aggregate price paid (before expenses) in respect of such Shares purchased, redeemed or bought back by the Holding Company or, as the case may be, any of its Subsidiaries (translated where appropriate into Sterling as provided above) exceeds the product of (i) 105 per cent. of the average closing price of the Shares determined as aforesaid and (ii) the number of Shares so purchased, redeemed or bought back; and
- (d) if the Holding Company or any of its Subsidiaries shall purchase, redeem or buy back any depositary or other receipts or certificates representing Shares, the provisions of paragraph (c) shall be applied in respect thereof in such manner and with such modifications (if any) as shall be Determined by an Expert;

"**Effective Date**" has, for the purposes of any Condition in which such expression is used, the meaning given in the relevant Condition;

"**Exchange Business Day**" means any day that is a trading day on the Relevant Exchange and on which the Shares, Share-Related Securities or Spin-Off Securities, as the case may be, may be dealt in other than a day on which the Relevant Exchange is scheduled to or does close prior to its regular weekday closing time;

"**Existing Shareholders**" has the meaning given in Condition 34(a)(iii) (*Corporate Reorganisation - Merger*);

"**Expert**" means, in relation to any matter to be Determined by an Expert, an independent investment bank and/or a firm of accountants which is, in either case, of international repute, appointed to act as an expert for the purposes of such matter in accordance with these Conditions and the Trust Deed;

"**Extraordinary Dividend**" has the meaning given in Condition 16(a) (*Extraordinary Dividends - Determination of Extraordinary Dividends*);

"**Extraordinary Resolution**" has the meaning given in the Trust Deed;

"**Fair Market Value**" means,

- (i) with respect to a cash Dividend or other cash amount the amount of such cash; and
- (ii) with respect to any other property on any date, the fair market value of that property as of that date as Determined by an Expert on the basis of a commonly accepted valuation method,

*provided, however, that* in any such case:

- (A) where Share-Related Securities, Spin-Off Securities, options, warrants or other rights are publicly traded in a market which is Determined by an Expert to have adequate liquidity, the fair market value of such Share-Related Securities, Spin-Off Securities, options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such Share-Related Securities, Spin-Off Securities, options, warrants or other rights during the period of five trading days on the relevant market prior to such date (or, if later, the first such trading day such Share-Related Securities, Spin-Off Securities, options, warrants or other rights are publicly traded) or such shorter period as such Share-Related Securities, Spin-Off Securities, options, warrants or other rights are publicly traded;
- (B) any cash Dividend declared or paid in a currency other than Sterling shall be converted into Sterling at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid the cash Dividend in Sterling; and
- (C) any other amount or value in a currency other than Sterling shall be translated into Sterling at the Screen Rate on that date;

"**Financial Year**" means, in respect of the Holding Company, any accounting period in respect of which audited financial statements of the Holding Company have been published or are expected to be published;

"**Future Placing Price**" has the meaning given in Condition 25(a) (*Issue of Shares - Adjustment event*);

"**Interest Payment Date**" means each of 30 December 2008, 30 March 2009, 30 June 2009 and 30 September 2009, the first Interest Payment Date being 30 December 2008;

"**Issue Date**" means 27 November 2008;

"**Mandatory Conversion**" has the meaning given in Condition 12(a) (*Mandatory Conversion - Mandatory Conversion*);

**"Mandatory Conversion Date"** means 30 June 2009;

**"Mandatory Conversion Expenses"** has the meaning given in Condition 12(g) (*Mandatory Conversion - Mandatory Conversion Expenses*);

**"Maturity Date"** means 30 September 2009;

**"NewCo"** has the meaning given in Condition 34(a)(iii) (*Corporate Reorganisation - Merger*);

**"NewCo Scheme"** has the meaning given in Condition 34(a)(iii) (*Corporate Reorganisation - Merger*);

**"Officially Published"** means published in accordance with the laws, rules or regulations governing publication of information to holders of equity securities admitted to listing, trading and/or quotation by Relevant Exchange;

**"Optional Conversion"** means a conversion of Notes upon exercise of the Optional Conversion Right;

**"Optional Conversion Date"** has the meaning given in Condition 11(e) (*Procedure for Optional Conversion - Optional Conversion Date*);

**"Optional Conversion Period"** has the meaning given in Condition 10(b) (*Optional Conversion - Optional Conversion Period*);

**"Optional Conversion Right"** means, in respect of any Note, the right of the holder to convert the Note for Shares in accordance with these Conditions;

**"Payment Business Day"** means, in respect of any place of presentation of any Note or Coupon, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a Sterling account as referred to in Condition 7 (*Payments*) any day on which dealings in foreign currencies may be carried on both in London and in such place of presentation;

**"Person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, unincorporated association, limited liability company, state or agency of a state or other entity, whether or not having separate legal personality;

**"Rate of Interest"** means 9.75 per cent. per annum;

**"Record Date"** means, in respect of any entitlement to receive any dividend or other distribution declared, paid or made, or any rights granted, the record date or other due date for the establishment of the relevant entitlement;

**"Regular Date"** means 30 March, 30 June, 30 September and 30 December in any year;

**"Reference Dividend"** has the meaning given in Condition 16(d) (*Extraordinary Dividends - Reference Dividend Threshold*);

**"Reference Dividend Threshold"** has the meaning given in Condition 16(d) (*Extraordinary Dividends - Reference Dividend Threshold*);

**"Regular Period"** means each period from (and including) any Regular Date to (but excluding) the next Regular Date;

**"Regulation S"** means Regulation S under the United States Securities Act of 1933, as amended;

**"Relevant Date"** means, in relation to any payment in respect of a Note, whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received in London by the Principal Paying and Conversion Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

**"Relevant Exchange"** means the Official List of the UK Listing Authority and/or, as the context requires, the regulated market for listed securities of the London Stock Exchange plc or, if Shares are no longer listed and traded on the Official List of the UK Listing Authority and the regulated market for listed securities of the London Stock Exchange plc, the principal stock exchange or securities market on which the Shares are then listed and traded;

**"Reserved Matter"** means, in the context of any meeting of Noteholders, any proposal:

- (i) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce or cancel the amount of principal or interest payable on any date in respect of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment;
- (ii) to effect the conversion, conversion or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed (other than as permitted under the Trust Deed);
- (iii) to change the currency in which amounts due in respect of the Notes are payable;
- (iv) to change any aspect of the Optional Conversion Right or the Mandatory Conversion;
- (v) to change the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution;
- (vi) to amend or supplement the Undertaking;
- (vii) to change the express governing laws of the Notes and/or the Trust Deed; or
- (viii) to amend this definition of Reserved Matter;

**"Retroactive Adjustment Date"** has the meaning given in Condition 28 (*Retroactive Adjustments*);

**"Rights"** means, in respect of any securities or assets, any options, warrants or other rights (other than Share-Related Securities) which by their terms of issue carry a right to subscribe for, purchase or otherwise acquire such securities or assets;

**"Screen Rate"** means, on any day, and, in respect of the translation or conversion of one currency into another currency, the rate of exchange between such currencies appearing on Reuters page ECB 37 on that day, or, if that page is not available or that rate of exchange does



not appear on that page on that day, the rate of exchange between such currencies appearing on such other screen or information service, or determined in such other manner, as the Issuer shall reasonably determine, with the prior written approval of the Trustee;

"**Share**" means an ordinary share, currently of £0.25 par value, in the share capital of the Holding Company;

"**Shareholder**" means the person in whose name a Share is for the time being registered in the register of Share ownership maintained by or on behalf of the Holding Company;

"**Share-Related Securities**" means any securities (excluding the Notes but including any further Notes issued pursuant to Condition 42 (*Further Issues*)) which by their terms of issue:

- (i) carry a right to subscribe for, purchase or otherwise acquire Shares or any securities which by their terms of issue might be redesignated as Shares; or
- (ii) might be redesignated as Shares or be redesignated so as to carry a right to subscribe for, purchase or otherwise acquire Shares, including, for the avoidance of doubt, depositary or other receipts or certificates representing Shares;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Spin-Off**" means:

- (i) a distribution of Spin-Off Securities or Rights in respect of Spin-Off Securities by the Holding Company to Shareholders as a class; or
- (ii) any issue, transfer or delivery of any property or assets (including cash or shares or securities of or in or issued or allotted by any entity) by any entity (other than the Holding Company) to its Shareholders as a class or, in the case of or in connection with a NewCo Scheme, Existing Shareholders as a class (but excluding the issue and allotment of ordinary shares by NewCo to Existing Shareholders as a class), pursuant, in each case, to any arrangements with the Holding Company or any of its Subsidiaries;

"**Spin-Off Securities**" means equity share capital of an entity other than the Holding Company or options, warrants or other rights to subscribe for or purchase equity share capital of an entity other than the Holding Company;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"**Unsurrendered Note**" has the meaning given in Condition 12(e) (*Mandatory Conversion - Failure by the Noteholder*)

**"Volume Weighted Average Price"** means, in respect of a Share, security or, as the case may be, a Spin-Off Security on any dealing day, the order book volume-weighted average price of a Share, security or, as the case may be, a Spin-Off Security published by or derived (in the case of a Share) from Bloomberg page VAP or (in the case of a security (other than Shares) or Spin-Off Security) from the principal stock exchange or securities market on which such securities or Spin-Off Securities are then listed or quoted or dealt in, if any or, in any such case, such other source as shall be determined to be appropriate by an Expert on such dealing day, provided that if on any such dealing day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Share, security or a Spin-Off Security, as the case may be, in respect of such dealing day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined or as an Expert might otherwise determine in good faith to be appropriate; and

**"Withheld Amounts"** has the meaning given in Condition 9(a) (*Events of Default - Non payment*).

- (b) *Construction of certain references:* In these Conditions, unless otherwise specified or unless the context otherwise requires:
- (i) a reference to a business day in any place shall be construed as a reference to a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in that place;
  - (ii) the expression the "Notes" shall be construed so as to include any further notes issued pursuant to Condition 42 (*Further Issues*) and forming a single series with the Notes;
  - (iii) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;
  - (iv) references to any issue or offer or grant to Shareholders "as a class" or "by way of rights" shall be construed so as to include an issue or offer or grant to all or substantially all Shareholders other than Shareholders to whom, by reason of the laws of any jurisdiction or requirements of any recognised regulatory body or any stock exchange in any jurisdiction or in connection with fractional entitlements, it is determined not to make such issue or offer or grant;
  - (v) "equity share capital" means, in relation to a company, its issued share capital excluding any part of that capital which, neither as respects dividends nor as respects capital, carries any right to participate beyond a specified amount in a distribution;
  - (vi) references to "conversion" of the Notes into Shares, the right to "convert" the Notes into Shares and the Notes being "convertible" into Shares shall be construed as references to the transfer of the Notes to the Holding Company, who shall purchase such Notes and as consideration for such purchase, issue fully paid Shares.
  - (vii) references to "£" and "Sterling" are to pounds sterling;
  - (viii) Shares held by the Holding Company or any of its Subsidiaries shall not be considered as or treated as "in issue"; and

- (ix) headings and sub-headings are for ease of reference only and shall not affect the construction of these Conditions.

### *THE DEBT SECURITY*

#### **3. Form, Denomination and Title**

The Notes are serially numbered and in bearer form in the denomination of £50,000 with Coupons attached at the time of issue. Title to the Notes and the Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

#### **4. Status**

The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

#### **5. Interest**

- (a) *Interest commencement and rate:* The Notes bear interest from and including the Issue Date at the Rate of Interest payable quarterly in arrear on each Interest Payment Date, subject as provided in Condition 7 (*Payments*), save that the first payment will be made on 30 December 2008 in respect of the period from (and including) the Issue Date to (but excluding) 30 December 2008.
- (b) *Cessation of interest accrual:* Each Note will cease to bear interest from the due date for redemption, subject as provided in Condition 5(c) (*Interest - Principal Amount not paid on due date*), Condition 14(a) (*Rights Arising on Optional and Mandatory Conversion - Interest upon Optional Conversion*) and Condition 14(b) (*Rights Arising on Optional and Mandatory Conversion - Interest upon Mandatory Conversion*).
- (c) *Principal Amount not paid on due date:* If, upon due presentation of any Note on the due date for redemption, payment of principal is improperly withheld or refused, such Note will continue to bear interest at the Rate of Interest (both before and after judgment) until the Relevant Date.
- (d) *Coupon amounts:* The amount of interest payable on each Interest Payment Date shall be £1,218.75 in respect of each Note, save that the amount of interest payable on 30 December 2008 shall be £441.96 in respect of each Note. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the principal amount of such Note, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest penny (half a penny being rounded upwards).

#### **6. Redemption and Purchase**

- (a) *Scheduled redemption:* Unless previously purchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date, subject as provided in Condition 7 (*Payments*).

- (b) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Condition 6(a) (*Redemption and Purchase - Scheduled redemption*).
- (c) *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, provided that all unmatured Coupons are purchased therewith, and such Notes may be held, resold or, at the option of the Issuer, surrendered to any Paying and Conversion Agent for cancellation.
- (d) *Cancellation:* Any Notes cancelled pursuant to Condition 6(c) (*Redemption and Purchase - Purchase*) may not be reissued or resold.

## 7. **Payments**

- (a) *Principal:* Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Notes at the Specified Office of any Paying and Conversion Agent outside the United States by Sterling cheque drawn on, or by transfer to a Sterling account maintained by the payee with, a bank in London.
- (b) *Interest:* Payments of interest shall, subject to Condition 7(f) (*Payments - Payments other than in respect of matured Coupons*), be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying and Conversion Agent outside the United States in the manner described in Condition 7(a) (*Payments - Principal*).
- (c) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (d) *Deduction for unmatured Coupons:* If a Note is presented without all unmatured Coupons relating thereto, a sum equal to the aggregate amount of the missing unmatured Coupons will be deducted from the amount due for payment in respect of such Note; *provided, however, that*, if the gross amount available for payment is less than the amount due for payment in respect of such Note, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount due for payment in respect of such Note. Each sum of principal so deducted shall be paid in the manner provided in Condition 7(a) (*Payments - Principal*) against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons.
- (e) *Payments on business days:* If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (f) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying and Conversion Agent outside the United States.
- (g) *Partial payments:* If a Paying and Conversion Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying and Conversion Agent will endorse thereon a statement indicating the amount and date of such payment.

## 8. **Taxation**

All payments in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the United Kingdom or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the appropriate withholding or deduction shall be made and the Issuer shall not pay any additional amounts to Noteholders or Couponholders to compensate for such withholding or deduction.

## 9. **Events of Default**

If any of the following events occurs, then the Trustee at its discretion may and, if so requested in writing by holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject to the Trustee having been indemnified or provided with security to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

- (a) *Non payment*: any interest on the Notes has not been paid within 14 days from the due date for payment and such sum has not been duly paid within a further 14 days following written notice from the Trustee to the Issuer requiring the non-payment to be made good. The Issuer shall not, however, be in default if during the 14 days after the Trustee's notice it satisfies the Trustee that such sums ("**Withheld Amounts**") were not paid in order to comply with a mandatory law, regulation or order of any court of competent jurisdiction. Where there is doubt as to the validity or applicability of any such law, regulation or order, the Issuer will not be in default if it acts on the advice given to it during such 14 day period by independent legal advisers approved by the Trustee; or
- (b) *Breach of other Obligations*: the Issuer breaches any provision of the Notes, the Trust Deed in relation to the Notes (other than as stated in 9(a) (*Non payment*) above) or the Holding Company breaches any provision of the Undertaking and, in any such case, that breach has not been remedied within 21 days of receipt of a written notice from the Trustee certifying that in its opinion the breach is materially prejudicial to the interests of the Noteholders and requiring the same to be remedied;
- (c) *Winding-up*: an order is made or an effective resolution is passed for the winding up of the Issuer or the Holding Company which is not successfully appealed within 30 days (otherwise than in connection with a scheme of reconstruction, merger or amalgamation the terms of which shall previously have been approved by the Trustee in writing or by an Extraordinary Resolution of the Noteholders); or
- (d) *Undertaking not in force*: the Undertaking is not (or is claimed by the Holding Company not to be) in full force and effect.

If lawful, Withheld Amounts or a sum equal to Withheld Amounts shall be placed promptly on interest bearing deposit as described in the Trust Deed. The Issuer will give notice in accordance with Condition 43 (*Notices*) if at any time it is lawful to pay any Withheld Amounts

to Noteholders or if such payment is possible as soon as any doubts as to the validity or applicability of any such law, regulation or order as is mentioned in 9(a) (*Events of Default - Non payment*) above is resolved. The notice will give the date on which such Withheld Amounts and the interest accrued on it will be paid. This date will be the earliest day after the day on which it is decided Withheld Amounts can be paid on which such interest bearing deposit falls due for repayment or may be repaid without penalty. On such date, the Issuer shall be bound to pay such Withheld Amounts together with interest accrued on it. For the purpose of 9(a) (*Events of Default - Non payment*) above this date shall be the due date for such sums. The obligations of the Issuer under this paragraph shall be in lieu of any other remedy against it in respect of Withheld Amounts. Payment will be subject to applicable laws, regulations or court orders, but, in the case of payment of any Withheld Amount, without prejudice to Condition 8 (*Taxation*). Interest accrued on any Withheld Amount shall be paid net of any taxes required by applicable law to be withheld or deducted and the Issuer shall not be obliged to pay any additional amount in respect of any such withholding or deduction.

### *CONVERSION*

#### 10. **Optional Conversion**

- (a) *Optional Conversion Right:* The holder of each Note has the right to convert such Note into fully-paid Shares at any time during the Optional Conversion Period.

*In the Undertaking, the Holding Company has offered and undertaken to each relevant Noteholder to purchase, on the relevant Optional Conversion Date, each Note surrendered for conversion and, as consideration for such purchase, to issue fully paid Shares.*

- (b) *Optional Conversion Period:* The "**Optional Conversion Period**" in respect of any Note shall be the period beginning on and including the business day following the Issue Date and ending at the close of business (in the place where the Conversion Notice in respect of the Note is deposited) on the day which is the fifth business day before the Mandatory Conversion Date *provided, however, that* if the last day of the Optional Conversion Period would otherwise be a day which is not a business day in the place where the Conversion Notice in respect of the Note is deposited, the last day of the Optional Conversion Period shall be the immediately preceding business day in such place.

In any event the Optional Conversion Period shall end on the date of any notice from the Trustee declaring the Notes to be immediately due and payable pursuant to Condition 9 (*Events of Default*).

- (c) *Conversion ratio:* The number of Shares to be issued by the Holding Company upon exercise of the Optional Conversion Right attaching to any Note shall be determined by dividing the principal amount of the Note by the Conversion Price in effect on the relevant Optional Conversion Date.
- (d) *Conversion Price:* The Conversion Price in effect on the Issue Date is 153.276 pence. The Conversion Price in effect on any subsequent date shall be the Conversion Price in effect on the Issue Date subject to any subsequent adjustment in accordance with these Conditions and the Undertaking and the expression "**Conversion Price**" shall be construed accordingly.
- (e) *No Shares set aside:* Optional Conversion Rights are not exercisable in respect of any specific Shares and no Shares have been or will be charged, placed in custody or otherwise set aside to

secure or satisfy the obligations of the Issuer and the Holding Company in respect of the delivery of Shares.

- (f) *Fractions of a Share:* Fractions of a Share will not be issued on conversion and no cash payment will be made in lieu thereof. However, if more than one Note is to be converted at any one time by the same Noteholder such that the Shares to be issued upon conversion thereof are to be registered in the same name, the number of Shares which shall be issued upon conversion thereof shall be calculated on the basis of the aggregate principal amount of the Notes so to be converted.

**11. Procedure for Optional Conversion**

- (a) *Deposit of Note:* To exercise the Optional Conversion Right attaching to any Note, the Noteholder must:

- (i) complete, execute and deposit at the Noteholder's own expense during normal business hours on any business day during the Optional Conversion Period at the Specified Office of any Paying and Conversion Agent a Conversion Notice (in duplicate);
- (ii) at the same time deposit the relevant Note at the Specified Office of the same Paying and Conversion Agent; and
- (iii) pay to the Issuer (or to such person as the Issuer may direct) any applicable Conversion Expenses.

A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Issuer.

*Whilst the Notes are represented by the Temporary Global Note or the Permanent Global Note, the Optional Conversion Rights will be exercisable by presentation of the Temporary Global Note or Permanent Global Note (as the case may be) to or to the order of the Principal Paying and Conversion Agent for notation of exercise of the relevant Optional Conversion Rights together with one or more duly completed Conversion Notices.*

- (b) *Transfer of Notes:* Upon exercising the Optional Conversion Right attaching to any Note, the Noteholder shall in the relevant Conversion Notice (delivery of which will be an acceptance of the Holding Company's offer to purchase the relevant Note pursuant to the Undertaking) confirm its instructions to transfer such Note to the Principal Paying and Conversion Agent for the account of the Holding Company as consideration for the issue by the Holding Company of fully paid Shares to the Noteholder. Each of the Issuer and the Holding Company is authorised and entitled (at its own expense) to do all such things and execute all such documents and instruments, whether on behalf of the relevant Noteholder or otherwise, as may be necessary or desirable to effect the transfer of the relevant Note to the Holding Company or to its order and the issue by the Holding Company of Shares to, or to the direction of, the relevant Noteholder, the Trustee pursuant to Condition 12(e) (*Mandatory Conversion - Failure by the Noteholder*) or such other Person as the Issuer and Noteholder may agree, as the case may be.

*Whilst the Notes are represented by the Temporary Global Note or the Permanent Global Note, the Noteholder shall in the relevant Conversion Notice confirm its instructions to transfer its interests in the Global Note to the Principal Paying Agent for the account of the Holding*

*Company as consideration for the issue by the Holding Company of fully paid Shares to the Noteholder.*

- (c) *Conversion Expenses:* Subject to Condition 13(c) (*Settlement - No issue to a clearance service*), the Issuer will pay all stamp, issue, registration or other similar taxes and duties (if any) arising in the United Kingdom on the issue of Shares on conversion of the Notes, their transfer and delivery to or to the order of the converting Noteholder and on the transfer of the Notes to the Holding Company on conversion, any expenses of obtaining a listing for such Shares on the Relevant Exchange and all charges of the Paying and Conversion Agents in connection therewith as provided in the Agency Agreement. Subject thereto, as conditions precedent to conversion, the Noteholder must pay to the Issuer (or to such person as the Issuer may direct) all stamp, issue, registration or other similar taxes and duties (if any) ("**Conversion Expenses**") arising on conversion which may be payable:

- (i) in the country in which the Specified Office of the relevant Paying and Conversion Agent is located (if not the United Kingdom); and
- (ii) in any other jurisdiction,

as a result of the issue, transfer or delivery of Shares or any other property or cash upon conversion to or to the order of the converting Noteholder.

- (d) *U.S. certification:* Upon exercising the Optional Conversion Right attaching to any Note, the Noteholder shall be required to represent and agree in the Conversion Notice, that at the time of execution and deposit of such Conversion Notice it, and any other person on whose behalf it is exercising such Optional Conversion Right, is not in the United States (within the meaning of Regulation S) and it and such person, purchased such Note, or the beneficial interest therein, in a transaction made in accordance with Rule 903 or Rule 904 of Regulation S.

The exercising Noteholder shall also be required to represent, agree and acknowledge in the Conversion Notice, on its behalf and on behalf of any other person on whose behalf it is exercising such Optional Conversion Right, that neither the Notes nor any Shares issuable upon exercise of the Optional Conversion Rights have been, or will be, registered under the Securities Act and that the Shares issuable upon exercise of the Optional Conversion Rights may not be offered or sold, directly or indirectly, in the United States, other than pursuant to an applicable exemption from, or subject to, registration under the Securities Act and in accordance with any applicable securities laws of any state of the United States. The exercising Noteholder shall also be required to represent, agree and acknowledge in the Conversion Notice, on its behalf and on behalf of any other person on whose behalf it is exercising such Optional Conversion Right, that, for so long as such Shares issued upon the exercise of the Optional Conversion Right are "restricted securities" within the meaning of U.S. federal securities laws, no such Shares may be deposited into any American depositary receipt facility established or maintained by a depositary bank, other than a restricted depositary receipt facility.

No Shares will be issued to a Noteholder unless the Noteholder satisfies the foregoing conditions.

- (e) *Optional Conversion Date:* The optional conversion date in respect of a Note (the "**Optional Conversion Date**") shall be the London business day following the satisfaction of the conditions specified in Condition 11(a) (*Procedure for Optional Conversion - Deposit of Note*).



- (f) *Specified account:* Upon exercising the Optional Conversion Right attaching to any Note, the Noteholder shall in the relevant Conversion Notice, specify a Sterling account with a bank in London to which any cash amount payable on or in respect of the exercise of such Optional Conversion Right shall be credited and the Issuer shall pay such sum to the relevant Noteholder in accordance with any such directions.
- (g) *Unmatured Coupons:* If any Note deposited upon exercise of Optional Conversion Rights is not deposited together with all Coupons relating to it which mature on or after the relevant Optional Conversion Date, then the relevant holder will be required to pay the aggregate amount of the missing unmaturing Coupons as a condition precedent to the exercise of the relevant Optional Conversion Rights. Each amount so paid will be repaid in the manner specified in Condition 7 (*Payments*) against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant missing Coupon at any time after the relevant Optional Conversion Date and before the expiry of ten years after the Relevant Date in respect of the relevant Note (whether or not a Coupon would otherwise have become void pursuant to Condition 37 (*Prescription*)), but not thereafter.

## 12. **Mandatory Conversion**

- (a) *Mandatory Conversion:* Subject to the Trustee not having declared the Notes to be due and payable pursuant to Condition 9 (*Events of Default*) and unless previously converted or purchased and cancelled, each Note shall be mandatorily and automatically converted into fully-paid Shares on the Mandatory Conversion Date (the "**Mandatory Conversion**").

*In the Undertaking, the Holding Company has offered and undertaken to each holder of Notes to purchase, on the Mandatory Conversion Date, each Note subject to Mandatory Conversion and, as consideration for such purchase, to issue fully paid Shares.*

- (b) *Conversion ratio:* The number of Shares to be issued by the Holding Company upon the Mandatory Conversion of any Note shall be determined by dividing the principal amount of such Note by the Conversion Price in effect on the Mandatory Conversion Date. The provisions of Condition 10(f) (*Optional Conversion - Fractions of a Share*) shall apply *mutatis mutandis* to this Condition 12.
- (c) *No Shares set aside:* The Mandatory Conversion is not in respect of any specific Shares and no Shares have been or will be charged, placed in custody or otherwise set aside to secure or satisfy the obligations of the Holding Company in respect of the delivery of Shares.
- (d) *Procedure for Mandatory Conversion:* As preconditions to any issue of Shares and any payment pursuant to the Mandatory Conversion, a Noteholder shall be required to (i) deposit the relevant Note together with a duly completed and executed Conversion Notice (in duplicate) during normal business hours to the Specified Office of any Paying and Conversion Agent by not later than four business days prior to the Mandatory Conversion Date and (ii) pay to the Issuer (or to such person as the Issuer may direct) any applicable Mandatory Conversion Expenses. A Conversion Notice once deposited shall not be withdrawn without the consent in writing of the Issuer.

*Whilst the Notes are represented by the Temporary Global Note or the Permanent Global Note the Mandatory Conversion will be effected by presentation of the Temporary Global Note or Permanent Global Note (as the case may be) to or to the order of the Principal Paying and*

*Conversion Agent for notation of the Mandatory Conversion together with one or more duly completed Conversion Notices.*

- (e) *Failure by the Noteholder:* If any of the preconditions set out in (i) and (ii) of Condition 12(d) (*Mandatory Conversion - Procedure for Mandatory Conversion*) above are not satisfied by four business days prior to the Mandatory Conversion Date, the Shares and any cash amount due in accordance with these Conditions to the relevant Noteholder in respect of which such preconditions are not satisfied by such time (the Notes held by such Noteholder, being "**Unsurrendered Notes**") will be issued and paid to the Trustee or as the Trustee may direct (or one or more other duly appointed nominees) on the Mandatory Conversion Date. Upon issue of the Shares and payment of such cash amount to or to the order of the Trustee (or such nominees), the Noteholders shall have no further rights under the Unsurrendered Notes and their only entitlement shall be to the net proceeds of sale of the Shares and any such cash amount paid to or to the order of the Trustee (or such nominee), subject to and in accordance with this Condition 12(e). All of such Shares shall be sold by or on behalf of the Trustee (or such nominees) (without the Trustee having any responsibility for any loss occasioned thereby) as soon as practicable, and (subject to any necessary consents being obtained and to the deduction by the Trustee (or such nominees) of (A) any amount which it determines to be payable in respect of its liability to taxation and the payment of any capital, stamp, issue or registration duties (if any) and any costs incurred by or on behalf of the Trustee (or such nominees) in connection with the allotment and sale thereof and (B) if not paid by the relevant Noteholder, the Mandatory Conversion Expenses which will be paid to the Issuer) the net proceeds of sale together with any such cash amount paid to or to the order of the Trustee (or such nominees) shall be held by or on behalf of the Trustee (or such nominees) and distributed to the holders of the Unsurrendered Notes in proportion to the aggregate principal amount of such Unsurrendered Notes held by each such relevant Noteholder in accordance with Condition 7 (*Payments*) or in such other manner as the Trustee shall determine and notify to Noteholders in accordance with Condition 43 (*Notices*) at the cost and expense of the Issuer. Payment to a Noteholder pursuant to this paragraph of such net proceeds of sale and any such cash amount as aforesaid shall be treated for all purposes as discharging the Issuer's obligations in respect of the relevant Notes.

Neither the Trustee nor any such nominee shall effect or procure any sale of Shares pursuant to this Condition 12(e), unless and until it receives confirmation in writing from an Expert appointed by the Issuer and approved by the Trustee to the effect that such sale would take place in an orderly market for the sale and purchase of the Shares, which confirmation shall be conclusive and binding on the Issuer, the Holding Company, the Trustee, any nominees and the Noteholders.

Subject thereto, the Trustee shall have no obligation or liability (and shall take no instructions from Noteholders (for the avoidance of doubt, this does not preclude the sale of the Shares to any Person being a Noteholder)) in respect of any sale of the Shares whether for the timing of any such sale or the price at which any such Shares are sold or inability to sell any such Shares. The Trustee shall not be obliged to exercise any voting rights or any other related rights in respect of the Shares issued to it pursuant to this Condition 12(e) and shall not be liable to anyone for failure to do so.

*Whilst the Notes are represented by the Temporary Global Note or the Permanent Global Note, on the Mandatory Conversion Date, any Noteholder holding Notes for which an instruction to*

*transfer its interest in such Note to the Principal Paying and Conversion Agent and/or a Conversion Notice have not been delivered in accordance with the rules and procedures of Euroclear and Clearstream and in accordance with the terms of such Temporary Global Note or Permanent Global Note by four business days prior to the Mandatory Conversion Date and/or the pre-condition set out in (ii) of Condition 12(d) (Mandatory Conversion - Procedure for Mandatory Conversion) above, is not satisfied by four business days prior to the Mandatory Conversion Date will be deemed to have irrevocably authorised Euroclear or Clearstream (as the case may be) to hold such Notes in a blocked account subject to the following conditions:*

- (i) *Euroclear or Clearstream (as the case may be) will promptly notify the Principal Paying and Conversion Agent, the Issuer, the Holding Company and the Trustee of the aggregate principal amount of all such Notes held in such blocked accounts;*
  - (ii) *the Holding Company shall be entitled to have transferred to it or to its order all such Notes held in such blocked accounts against payment to the relevant Noteholder of such net proceeds of sale and any such cash amount paid as described in Condition 12(e) (Mandatory Conversion - Failure by the Noteholder);*
  - (iii) *in consideration of its rights to receive all such Notes held in such blocked accounts the Holding Company shall issue fully paid Shares in accordance with Condition 12(e) (Mandatory Conversion - Failure by the Noteholder) to the Trustee or as the Trustee may direct (or one or more other duly appointed nominees) on the Mandatory Conversion Date;*
  - (iv) *the Trustee (or such nominees) will dispose of the relevant Shares in accordance with Condition 12(e) (Mandatory Conversion - Failure by the Noteholder) and the net proceeds of sale and any such cash amount paid as described in Condition 12(e) (Mandatory Conversion - Failure by the Noteholder) will be paid to or to the order of the holder of the Temporary Global Note or Permanent Global Note (as the case may be) for payment to the relevant Noteholders in proportion to the aggregate principal amount of all relevant Notes held in such blocked accounts by each relevant Noteholder in accordance with the rules and procedures of Euroclear or Clearstream (as the case may be); and*
  - (v) *against such payment, the relevant Notes will be released by Euroclear or Clearstream (as the case may be) from their previously blocked accounts and transferred to the Holding Company or to its order.*
- (f) *Transfer of Notes:* By delivering the Conversion Notice and the Note in accordance with Condition 12(d) (Mandatory Conversion - Procedure for Mandatory Conversion), the Noteholder will accept the Holding Company's offer to purchase the relevant Note pursuant to the Undertaking and confirm its instructions to transfer such Note to the Principal Paying and Conversion Agent for the account of the Holding Company as consideration for the issue by the Holding Company of fully paid Shares to the Noteholder. If the Noteholder fails to deliver the Conversion Notice and/or the Note in accordance with Condition 12(d) (Mandatory Conversion - Procedure for Mandatory Conversion), it shall be deemed to accept the Holding Company's offer to purchase the Note pursuant to the Undertaking. Each of the Issuer and the Holding Company is authorised and entitled (at its own expense) to do all such things and execute all such documents and instruments, whether on behalf of the relevant Noteholder or otherwise, as may be necessary or desirable to effect the transfer of the relevant Note to the Holding

Company or to its order and the issue by the Holding Company of Shares to, or to the direction of, the relevant Noteholder, the Trustee or such other Person as the Issuer and Noteholder may agree, as the case may be.

*Whilst the Notes are represented by the Temporary Global Note or the Permanent Global Note, the Noteholder shall in the relevant Conversion Notice confirm its instructions to transfer its interests in the Temporary Global Note or the Permanent Global Note, as the case may be, to the Principal Paying Agent for the account of the Holding Company as consideration for the issue by the Holding Company of fully paid Share to the Noteholder.*

- (g) *Mandatory Conversion Expenses:* Subject to Condition 13(c) (*Settlement - No issue to a clearance service*) the Issuer will pay all stamp, issue, registration or other similar taxes and duties (if any) arising in the United Kingdom on the issue of Shares, on their transfer and delivery to, or to the order of, the relevant Noteholder (or to, or to the order of, the Trustee) following Mandatory Conversion of a Note and on the transfer of the Notes to the Holding Company on conversion, any expenses of obtaining a listing for such Shares on the Relevant Exchange and all charges of the Paying and Conversion Agents in connection therewith as provided in the Agency Agreement. Subject thereto, as conditions precedent to conversion, the Noteholder must pay to the Issuer (or to such person as the Issuer may direct) all stamp, issue, registration or other similar taxes and duties (if any) ("**Mandatory Conversion Expenses**") arising on conversion which may be payable:

- (i) under the laws of the country in which the Specified Office of the relevant Paying and Conversion Agent is located (if not the United Kingdom); and
- (ii) under the laws of any other jurisdiction,

as a result of the issue, transfer or delivery of Shares or any other property or cash upon conversion to or to the order of the relevant Noteholder (or the Trustee, as the case may be).

- (h) *U.S. certification:* Each Noteholder shall be required to represent and agree in the Conversion Notice on its behalf and on behalf of any other person on whose behalf it is depositing such Conversion Notice that, at the time of execution and deposit of such Conversion Notice it and any other person on whose behalf it is depositing such Conversion Notice, is not in the United States (within the meaning of Regulation S) and it, or such person, purchased such Note, or the beneficial interest therein, in a transaction made in accordance with Rule 903 or Rule 904 of Regulation S.

Each Noteholder shall also be required to represent, agree and acknowledge in the Conversion Notice, on its behalf and on behalf of any other person on whose behalf it is depositing such Conversion Notice, that neither the Notes nor any Shares issuable upon deposit of the Conversion Notice have been, or will be, registered under the Securities Act and that the Shares issuable upon deposit of the Conversion Notice may not be offered or sold, directly or indirectly, in the United States, other than pursuant to an applicable exemption from, or subject to, registration under the Securities Act and in accordance with any applicable securities laws of any state of the United States. Each Noteholder shall also be required to represent, agree and acknowledge in the Conversion Notice, on its behalf and on behalf of any other person on whose behalf it is depositing such Conversion Notice, that, for so long as such Shares issued upon depositing the Conversion Notice are "restricted securities" within the meaning of U.S. federal securities laws, no such Shares may be deposited into any American depositary receipt

facility established or maintained by a depositary bank, other than a restricted depositary receipt facility.

No Share will be issued to a Noteholder unless the Noteholder satisfies the foregoing conditions. If a Noteholder fails to satisfy the foregoing conditions, Condition 12(e) (*Mandatory Conversion - Failure by the Noteholder*) shall apply *mutatis mutandis*.

- (i) *Specified account:* Each Noteholder shall in the relevant Conversion Notice, specify a Sterling account with a bank in a city in London to which any cash amount payable on or in respect of the Mandatory Conversion shall be credited and the Issuer shall pay such sum to the relevant Noteholder in accordance with any such directions.

### 13. **Settlement**

- (a) *Issue of Shares on an Optional Conversion:* Shares to be issued on conversion of a Note will be delivered in uncertificated form through the dematerialised securities trading system generated by Euroclear UK & Ireland Limited, known as CREST, unless the relevant Noteholder elects to receive the Shares in certificated registered form or, at the time of issue, the Shares are not a participating security in CREST. Where Shares are to be issued through CREST, they will be delivered to the account specified by the relevant Noteholder in the relevant Conversion Notice by a date not later than five London business days following the relevant Optional Conversion Date (or, in the case of any delivery of any Additional Shares pursuant to Condition 28 (*Retroactive Adjustments*), not later than five London business days following the later of the Record Date and the date on which the adjustment takes effect). Where Shares are to be issued in certificated form, a certificate in respect thereof will be dispatched by mail free of charge (but uninsured and at the risk of the person entitled thereto) to the relevant Noteholder or as it may direct in the relevant Conversion Notice, within 21 days following the relevant Optional Conversion Date or, as the case may be, the date the relevant retroactive adjustment takes effect.
- (b) *Issue of Shares on a Mandatory Conversion:* Subject as provided in Condition 12(e) (*Mandatory Conversion - Failure by the Noteholder*), Shares to be issued on the Mandatory Conversion of a Note including any Additional Shares to be issued pursuant to Condition 28 (*Retroactive Adjustment*) will be issued pursuant to Condition 13(a) (*Settlement - Issue of Shares on an Optional Conversion*) above to the relevant Noteholder or to such other Person as the Issuer and the relevant Noteholder may agree. For the purposes of such issue on the Mandatory Conversion, references in Condition 13(a) (*Settlement - Issue of Shares on an Optional Conversion*) above to the relevant Noteholder shall be amended to refer to the relevant Noteholder or to such other Person as the Issuer and the relevant Noteholder may agree and references to Optional Conversion Date shall be amended to refer to the Mandatory Conversion Date.
- (c) *No issue to a clearance service:* The Shares will not be available for issue (i) to, or to a nominee or agent for, Euroclear, Clearstream, Luxembourg, The Bank One NA London Branch Depositary and Lending System or any other person providing a clearance service within the meaning of Section 96 of the Finance Act 1986 or (ii) to a person, or nominee or agent for a person, whose business is or includes issuing depositary receipts within the meaning of Section 93 of the Finance Act 1986, in each case at any time prior to the "abolition day" as defined in Section 111(1) of the Finance Act 1990.

14. **Rights Arising on Optional and Mandatory Conversion**

*The Undertaking contains provisions to the following effect (with words and expressions which are given a defined meaning in the Conditions having the same meaning in the Undertaking):*

- (A) *Rights in respect of Shares issued upon conversion: Shares issued on conversion of a Note will be delivered with full title guarantee, will be fully paid, free from any liens, charges, encumbrances, pre-emptive rights or other third-party rights and, subject as provided in paragraphs (B) and (C) below:*
- (i) *such Shares will rank pari passu in all respects with all other Shares in issue on the Optional Conversion Date or Mandatory Conversion Date, as the case may be; and*
  - (ii) *the holders of such Shares will be treated by the Holding Company as Shareholders for all purposes with effect from and including the Optional Conversion Date or Mandatory Conversion Date, as the case may be.*
- (B) *Dividends and other distributions in respect of Shares: Shares issued on conversion of a Note will rank pari passu in respect of Dividends and other distributions declared, paid or made, or rights granted, with all other Shares in issue on the Optional Conversion Date or Mandatory Conversion Date, as the case may be, except that such Shares will not rank for any Dividend or other distribution declared, paid or made on, or rights granted in respect of, the Shares for which the Record Date precedes the Optional Conversion Date or Mandatory Conversion Date, as the case may be.*
- (C) *Voting rights in respect of Shares: Shares issued on conversion of a Note will rank pari passu in respect of voting rights with all other Shares in issue on the Optional Conversion Date or Mandatory Conversion Date, as the case may be, except that they will not rank for any voting rights where the entitlement to voting rights accrues to Shareholders by reference to a Record Date which precedes the Optional Conversion Date or Mandatory Conversion Date, as the case may be.*
- (a) *Interest Upon Optional Conversion: Upon Optional Conversion of any Note:*
- (i) *if the Optional Conversion Date falls on an Interest Payment Date, the Noteholder shall not be entitled to receive the payment of interest otherwise due on such Interest Payment Date; and*
  - (ii) *in any other case, the Noteholder shall cease to be entitled to any interest accrued on the relevant Note since the Interest Payment Date immediately preceding such Optional Conversion Date (or, if such Optional Conversion Date falls before the first Interest Payment Date, since the Issue Date),*

and, in either case, no payment or adjustment shall be made on conversion for any such interest accrued since the Interest Payment Date immediately preceding such Optional Conversion Date (or, if such Optional Conversion Date falls on or before the first Interest Payment Date, since the Issue Date). Upon the Optional Conversion Date of any Note, all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof (for this purpose treating any Coupon expressed to be payable on or after the relevant Optional Conversion Date as an unmatured Coupon), subject as provided in Condition 11(g) (*Procedure for Optional Conversion - Unmatured Coupons*).

- (b) *Interest upon Mandatory Conversion:* Upon the Mandatory Conversion of any Note, the Noteholder shall be entitled to receive the payment of interest due on the Mandatory Conversion Date. Subject as provided in Condition 12(e) (*Mandatory Conversion - Failure by the Noteholder*), any such interest shall be paid no later than 14 days after the Mandatory Conversion Date by Sterling cheque drawn on, or by transfer to a Sterling account maintained by the payee with, a bank in London, in accordance with instructions given by the relevant Noteholder, failing which, in accordance with Condition 7 (*Payments*).

#### *ADJUSTMENTS TO THE CONVERSION PRICE*

##### **15. Adjustments to the Conversion Price**

- (a) *Adjustments to the Conversion Price:* The Conversion Price will be subject to adjustment in the circumstances referred to in Condition 15 (*Adjustments to the Conversion Price*) to Condition 25 (*Issue of Shares*) and in accordance with Condition 26 (*Other Events; Contemporaneous Events*) to Condition 31 (*Notice of Adjustment of the Conversion Price*).
- (b) *No adjustments in certain circumstances:* Notwithstanding Condition 15 (*Adjustments to the Conversion Price*) to Condition 25 (*Issue of Shares*), the Conversion Price shall not be adjusted in connection with the warrants issued on 31 October 2008 with an option to subscribe for up to 1,516,875,236 Shares or the issue of any Share pursuant to the terms of such warrants.

##### **16. Extraordinary Dividends**

- (a) *Determination of Extraordinary Dividends:* Whether or not any event constitutes an extraordinary dividend (an "**Extraordinary Dividend**") will be determined as follows:
- (i) if a Dividend is expressed by the Holding Company or declared by the board of directors of the Holding Company to be a capital distribution, extraordinary dividend, extraordinary distribution, special dividend or special distribution or any analogous or similar term, then the relevant Dividend will constitute an Extraordinary Dividend, and the amount of such Extraordinary Dividend will be the Fair Market Value of the entire amount of the relevant Dividend;
  - (ii) without prejudice to (i) above, a Dividend which does not cause both the Aggregate Distributable Earnings Threshold and the Reference Dividend Threshold to be exceeded will not constitute an Extraordinary Dividend; and
  - (iii) without prejudice to (i) above, a Dividend which causes both the Aggregate Distributable Earnings Threshold and the Reference Dividend Threshold to be exceeded will constitute an Extraordinary Dividend, and the amount of such Extraordinary Dividend will be the smaller of:
    - (A) the amount (if any) by which the Fair Market Value of the relevant Dividend (on a per share basis) causes the Aggregate Distributable Earnings Threshold to be exceeded; and
    - (B) the amount (if any) by which the Fair Market Value of the relevant Dividend causes the Reference Dividend Threshold to be exceeded.
- (b) *Aggregate Distributable Earnings Threshold:* A Dividend will cause the Aggregate Distributable Earnings Threshold to be exceeded if (and only if) the aggregate of the Fair

Market Value of the relevant Dividend and all other Dividends (on a per share basis) (excluding for this purpose any other Dividend to the extent that such other Dividend was itself an Extraordinary Dividend) previously distributed in respect of all Financial Years of the Holding Company ending after 31 December 2007 exceeds the Aggregate Distributable Earnings (on a per share basis) of the Holding Company in respect of all Financial Years of the Holding Company ending after 31 December 2007.

**"Aggregate Distributable Earnings Threshold"** means the threshold determined in accordance with this Condition 16(b).

- (c) *Aggregate Distributable Earnings*: In these Conditions, **"Aggregate Distributable Earnings"** means, in respect of any number of Financial Years of the Holding Company, an amount equal to the greater of (1) zero and (2) the aggregate of the consolidated cumulative net profits less the aggregate of any consolidated cumulative net losses (after taxation but including any net realised gains (less any realised losses) made on the disposal of investments and extraordinary items) attributable to the Shareholders for all Financial Years of the Holding Company ending after 31 December 2007 as shown in the audited consolidated accounts of the Holding Company for such Financial Years (*provided that* consolidated cumulative net profits shall exclude any amount arising as a result of any reduction of share capital, share premium account or capital redemption reserve but, subject thereto, shall include any profit transferred from any reserve).
- (d) *Reference Dividend Threshold*: A Dividend will cause the Reference Dividend Threshold to be exceeded if (and only if) the aggregate of the Fair Market Value (on a per share basis) of:
  - (i) the relevant Dividend; and
  - (ii) all other Dividends (excluding for this purpose any other Dividend to the extent that such other Dividend was itself an Extraordinary Dividend) charged or provided for in the financial statements of the Holding Company in respect of the same Financial Year of the Holding Company as the relevant Dividend,

is more than twice the Fair Market Value of the Reference Dividend. For this purpose, if any relevant Financial Year is of any duration other than 12 months, the Fair Market Value of any Dividend in respect of such Financial Year shall be multiplied by a fraction of which the numerator is 12 and the denominator is the number of months in such Financial Year.

**"Reference Dividend"** means the aggregate value (on a per share basis) of the Dividends distributed for the Financial Year of the Holding Company which ended on 31 December 2007.

**"Reference Dividend Threshold"** means the threshold determined in accordance with this Condition 16(d).

- (e) *Adjustment Event*: If and whenever the Holding Company shall distribute any Extraordinary Dividend to the Shareholders, the Conversion Price shall be subject to adjustment in accordance with this Condition 16.
- (f) *Effective Date*: For the purposes of this Condition 16, the **"Effective Date"** means the first date on which the Shares are traded ex-the relevant Extraordinary Dividend on the Relevant Exchange or, in the case of a purchase, redemption or buy back of Shares or any depositary or other receipts or certificates representing Shares, the date on which such purchase, redemption



or buy back is made or, in the case of a Spin-Off, the first date on which the Shares are traded ex-the relevant Spin-Off on the Relevant Exchange.

- (g) *Adjustment to the Conversion Price:* If and whenever the Holding Company shall distribute any Extraordinary Dividend to the Shareholders, in relation to each Note for which the Optional Conversion Date or the Mandatory Conversion Date, as the case may be, has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Share (expressed in Sterling) on the Effective Date; and

B is the Fair Market Value on the Effective Date of the portion of the Extraordinary Dividend attributable to one Share, with such portion being determined by dividing the Fair Market Value of the aggregate Extraordinary Dividend by the number of Shares entitled to receive the relevant Extraordinary Dividend (or, in the case of a purchase, redemption or buy back of Shares or any depositary or other receipts or certificates representing Shares by or on behalf of the Holding Company or any Subsidiary of the Holding Company, by the number of Shares in issue immediately following such purchase, redemption or buy back, and treating as not being in issue any Shares, or any Shares represented by depositary or other receipts or certificates, purchased, redeemed or bought back).

- (h) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 16 shall apply, with effect from the Effective Date, to each Note for which the Optional Conversion Date or the Mandatory Conversion Date, as the case may be, has not occurred on the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

#### 17. **Bonus Issues**

- (a) *Adjustment event:* If and whenever the Holding Company shall make any Bonus Issue, the Conversion Price shall be subject to adjustment in accordance with this Condition 17.
- (b) *Effective Date:* For the purposes of this Condition 17, the "**Effective Date**" means the date of issue of the relevant Shares.
- (c) *Adjustment to the Conversion Price:* In relation to each Note for which the Optional Conversion Date or the Mandatory Conversion Date, as the case may be, has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A}{B}$$

where:

A = the aggregate number of Shares in issue immediately before the issue of such Shares; and

B = the aggregate number of Shares in issue immediately after the issue of such Shares.

- (d) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 17 shall apply, with effect from and including the Effective Date, to each Note for which the Optional Conversion Date or the Mandatory Conversion Date, as the case may be, has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

**18. Alteration to Nominal Value**

- (a) *Adjustment event:* If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, reclassification or subdivision, the Conversion Price shall be subject to adjustment in accordance with this Condition 18.

- (b) *Effective Date:* For the purposes of this Condition 18, the "**Effective Date**" means the date on which such alteration becomes effective.

- (c) *Adjustment to the Conversion Price:* In relation to each Note for which the Optional Conversion Date or the Mandatory Conversion Date, as the case may be, has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A}{B}$$

where:

A = the aggregate number of Shares in issue immediately before such alteration; and

B = the aggregate number of Shares in issue immediately after such alteration.

- (d) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 18 shall apply, with effect from and including the Effective Date, to each Note for which the Optional Conversion Date or the Mandatory Conversion Date, as the case may be, has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

**19. Shares, Rights and Share-Related Securities Issued to Shareholders**

- (a) *Adjustment event:* If and whenever the Holding Company or any Subsidiary of the Holding Company shall issue, grant or offer Shares, Share-Related Securities, Rights in respect of Shares or Rights in respect of Share-Related Securities to all or substantially all of the Shareholders as a class by way of rights as a result of which, in each case, Shareholders have the right to acquire Shares at a Consideration per Share which is less than 95 per cent. of the Current Market Price per Share on the Effective Date, the Conversion Price shall be subject to adjustment in accordance with this Condition 19.

- (b) *Effective Date:* For the purposes of this Condition 19, the "**Effective Date**" means the first date on which the Shares are traded ex-rights, ex-warrants or ex-options on the Relevant Exchange.
- (c) *Adjustment to the Conversion Price:* In relation to each Note for which the Optional Conversion Date or the Mandatory Conversion Date, as the case may be, has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A = the number of Shares in issue immediately before the issue, grant or offer of such Shares, Share-Related Securities, Rights in respect of Shares or Rights in respect of Share-Related Securities;
- B = the number of Shares which the Aggregate Consideration (if any) would purchase at such Current Market Price per Share; and
- C = (1) in the case of an issue, grant or offer of Shares, the number of Shares comprised in the issue, grant or offer; or
- (2) in the case of an issue, grant or offer of Share-Related Securities or Rights, the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Share-Related Securities or Rights calculated as at the date of issue of such options, warrants or rights.
- (d) *Formula:* If on the date (the "**Specified Date**") of issue, grant or offer of the relevant Share-Related Securities, Rights in respect of Shares or Rights in respect of Share Related Securities the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Share Related Securities or Rights is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time then, for the purposes of this Condition 19, "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such subscription, purchase or acquisition had taken place on the Specified Date.
- (e) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 19 shall apply, with effect from and including the Effective Date, to each Note for which the Optional Conversion Date or the Mandatory Conversion Date, as the case may be, has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

## 20. **Issue of Other Securities to Shareholders**

- (a) *Adjustment event:* If and whenever the Holding Company shall issue any securities (other than Shares, Share-Related Securities, Rights in respect of Shares, Rights in respect of Share-Related Securities or Spin-Off Securities) to all or substantially all of the Shareholders as a class by way

of rights or the Holding Company shall issue or grant any Rights in respect of any securities (other than Shares, Share-Related Securities, Rights in respect of Shares or Rights in respect of Share-Related Securities or Spin-Off Securities) or assets to all or substantially all of the Shareholders as a class, the Conversion Price shall be subject to adjustment in accordance with this Condition 20.

- (b) *Effective Date:* For the purposes of this Condition 20, "**Effective Date**" means the first date on which the Shares are traded ex-rights, ex-warrants or ex-options on the Relevant Exchange.
- (c) *Adjustment to the Conversion Price:* In relation to each Note for which the Optional Conversion Date or the Mandatory Conversion Date, as the case may be, has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

- A = the Current Market Price of one Share on the Effective Date; and
- B = the Fair Market Value on the Effective Date of the portion of the rights attributable to one Share.

- (d) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 20 shall apply, with effect from and including the Effective Date, to each Note for which the Optional Conversion Date or the Mandatory Conversion Date, as the case may be, has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

## 21. **Issues of Shares at Below Current Market Price**

- (a) *Adjustment event:* If and whenever the Holding Company shall issue (other than as mentioned in Condition 19 (*Shares, Rights and Share-Related Securities Issued to Shareholders*)), wholly for cash, any Shares or the Holding Company shall issue (other than as mentioned in Condition 19 (*Shares, Rights and Share-Related Securities Issued to Shareholders*)) or grant, wholly for cash or for no consideration, Rights in respect of Shares or Rights in respect of Share-Related Securities as a result of which, in each case, persons to whom the Shares or Rights are issued or granted have the right to acquire Shares at a Consideration per Share which is less than 95 per cent. of the Current Market Price of the Shares on the Exchange Business Day immediately preceding the date of the first public announcement of the terms of such issue or grant, the Conversion Price shall be subject to adjustment in accordance with this Condition 21. However, if any such issue or grant also falls within the terms of Condition 19 (*Shares, Rights and Share-Related Securities Issued to Shareholders*) or constitutes an issue of Shares consequent upon the exercise of Optional Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares, the Conversion Price shall not be subject to adjustment in accordance with this Condition 21.
- (b) *Effective Date:* For the purposes of this Condition 21, the "**Effective Date**" means the date of issue of such Shares or, as the case may be, the issue or grant of such Rights.

- (c) *Adjustment to the Conversion Price:* In relation to each Note for which the Optional Conversion Date or the Mandatory Conversion Date, as the case may be, has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A = the number of Shares in issue immediately before the issue of such Shares or the grant of such options, warrants or rights;
- B = the number of Shares which the Aggregate Consideration (if any) receivable for the Shares issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Shares deliverable on the exercise thereof, would purchase at such Current Market Price; and
- C = (1) in the case of an issue of Shares, the number of Shares issued; or
- (2) in the case of an issue or grant of Rights, the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares and, if applicable, Share-Related Securities pursuant to the terms of such Rights and, if applicable, Share-Related Securities calculated as at the date of issue of such options, warrants or rights.
- (d) *Formula:* If on the date (the "**Specified Date**") of issue or grant of the relevant Rights in respect of Shares or Rights in respect of Share-Related Securities the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares and, if applicable, Share-Related Securities pursuant to the terms of such Rights and, if applicable, Share-Related Securities is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time then, for the purposes of this Condition 21, "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such subscription, purchase or acquisition had taken place on the Specified Date.
- (e) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 21 shall apply, with effect from and including the Effective Date, to each Note for which the Optional Conversion Date or the Mandatory Conversion Date, as the case may be, has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

## 22. **Share-Related Securities Issued Other than to Shareholders**

- (a) *Adjustment event:* If and whenever the Holding Company or any Subsidiary of the Holding Company or (pursuant to arrangements with the Holding Company or any of its Subsidiaries) any other person or entity shall issue, wholly for cash or for no consideration, any Share-Related Securities (other than the Notes) or shall grant to any existing securities so issued such rights as to make such securities Share-Related Securities as a result of which, in each case,

persons to whom the Share-Related Securities or such rights are issued or granted have the right to acquire Shares at a Consideration per Share which is less than 95 per cent. of the Current Market Price of a Share on the date (or, if that date is not an Exchange Business Day, the immediately preceding Exchange Business Day) of the first public announcement of the terms of issue of such Share-Related Securities or the terms of such grant, the Conversion Price shall be subject to adjustment in accordance with this Condition 22. However, if any such issue or grant also falls within the terms of Condition 19 (*Shares, Rights and Share-Related Securities Issued to Shareholders*), Condition 20 (*Issue of Other Securities to Shareholders*) or Condition 21 (*Issues of Shares at Below Current Market Price*), the Conversion Price shall not be subject to adjustment in accordance with this Condition 22.

- (b) *Effective Date:* For the purposes of this Condition 22 the "**Effective Date**" means the date of issue of the Share-Related Securities or the grant of the relevant rights.
- (c) *Adjustment to the Conversion Price:* In relation to each Note for which the Optional Conversion Date or the Mandatory Conversion Date, as the case may be, has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A = the number of Shares in issue immediately before such issue or grant (but where the relevant Share-Related Securities carry rights of conversion into or rights of exchange or subscription for Shares which have been issued, purchased or acquired by the Holding Company or any Subsidiary of the Holding Company (or at the direction or request or pursuant to any arrangements with the Holding Company or any Subsidiary of the Holding Company) for the purposes of or in connection with such issue, less the number of such Shares so issued, purchased or acquired);
  - B = the number of Shares which the Aggregate Consideration (if any) receivable for the Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to such Share-Related Securities or, as the case may be, for the Shares to be issued or to arise from any such redesignation would purchase at such Current Market Price per Share; and
  - C = the maximum number of Shares which could be issued or otherwise made available upon conversion or exchange of such Share-Related Securities or upon the exercise of such right of subscription attached thereto at the effective initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of Shares which may be issued or arise from any such redesignation.
- (d) *Formula:* If on the date (the "**Specified Date**") of issue of the relevant Share-Related Securities or date of grant of such rights the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Share-Related Securities is to be determined by reference to the application of

a formula or other variable feature or the occurrence of any event at some subsequent time then, for the purposes of this Condition 22, "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such subscription, purchase or acquisition had taken place on the Specified Date.

- (e) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 22 shall apply, with effect from and including the Effective Date, to each Note for which the Optional Conversion Date or the Mandatory Conversion Date, as the case may be, has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

### 23. **Amendment of Terms of Rights or Share-Related Securities**

- (a) *Adjustment event:* If and whenever the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of any Rights or Share-Related Securities (other than the Notes) are amended (other than in accordance with their terms of issue (including terms as to adjustment of such rights)) so that following such amendment the Consideration per Share is (1) reduced and (2) less than 95 per cent. of the Current Market Price of a Share on the date (or, if that date is not an Exchange Business Day, the immediately preceding Exchange Business Day) of the first public announcement of the proposals for such amendment, the Conversion Price shall be subject to adjustment in accordance with this Condition 23.
- (b) *Effective Date:* For the purposes of this Condition 23, "**Effective Date**" means the date of amendment of such rights.
- (c) *Adjustment to the Conversion Price:* In relation to each Note for which the Optional Conversion Date or the Mandatory Conversion Date, as the case may be, has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Shares in issue immediately before such amendment (but where the relevant Rights and/or Share-Related Securities carry rights of conversion into or rights of exchange or subscription for Shares which have been issued, purchased or acquired by the Holding Company or any Subsidiary of the Holding Company (or at the direction or request or pursuant to any arrangements with the Holding Company or any Subsidiary of the Holding Company) for the purposes of or in connection with such issue, less the number of such Shares so issued, purchased or acquired);
- B is the number of Shares which the Aggregate Consideration (calculated taking account of the amended rights) receivable for the Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to the Rights or Share-Related Securities so amended would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription price of such Rights or Share-Related Securities; and

- C the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Rights or Share-Related Securities at the amended subscription, purchase or acquisition price or rate (but giving credit in such manner as shall be Determined by an Expert to be appropriate for any previous adjustment under Condition 19 (*Shares, Rights and Share-Related Securities Issued to Shareholders*), Condition 22 (*Share-Related Securities Issued Other than to Shareholders*) or this Condition 23).
- (d) *Formula:* If on the date (the "**Specified Date**") of such amendment the maximum number of Shares which could be issued upon exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Rights or Share-Related Securities is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time then, for the purposes of this Condition 23, "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such subscription, purchase or acquisition had taken place on the Specified Date.
- (e) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 23 shall apply, with effect from and including the Effective Date, to each Note for which the Optional Conversion Date or the Mandatory Conversion Date, as the case may be, has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

#### 24. **Demerger**

- (a) *Adjustment event:* If and whenever the Holding Company or any Subsidiary of the Holding Company or (pursuant to arrangements with the Holding Company or any of its Subsidiaries) any other person or entity shall offer any securities in connection with which offer Shareholders as a class are entitled to participate in arrangements whereby such securities may be acquired by them, the Conversion Price shall be subject to adjustment in accordance with this Condition 24. However, if any such offer also causes the Conversion Price to be adjusted within the terms of Condition 16 (*Extraordinary Dividends*), Condition 19 (*Shares, Rights and Share-Related Securities Issued to Shareholders*) or Condition 20 (*Issue of Other Securities to Shareholders*) (or would cause the Conversion Price to be so adjusted if the relevant Consideration per Share was less than 95 per cent. of the Current Market Price per Share on the relevant Exchange Business Day), the Conversion Price shall not be subject to adjustment in accordance with this Condition 24.
- (b) *Effective Date:* For the purposes of this Condition 24, the "**Effective Date**" means the first date on which the Shares are traded ex-rights on the Relevant Exchange.
- (c) *Adjustment to the Conversion Price:* In relation to each Note for which the Optional Conversion Date or the Mandatory Conversion Date, as the case may be, has not occurred prior to the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in effect immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:



- A = the Current Market Price of one Share on the Effective Date; and
- B = the Fair Market Value on the Effective Date of the portion of the relevant offer attributable to one Share.

- (d) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 24 shall apply, with effect from and including the Effective Date, to each Note for which the Optional Conversion Date or the Mandatory Conversion Date, as the case may be, has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

25. **Issue of Shares**

- (a) *Adjustment event:* If and whenever the Holding Company shall issue any Shares, for a Consideration per Share (the "**Future Placing Price**") which is less than the Conversion Price in effect on the Exchange Business Day immediately preceding the Effective Date, or the Holding Company or any Subsidiary of the Holding Company shall issue any Share-Related Securities or Rights in respect of Shares or Share-Related Securities pursuant to the terms of which Shares may be issued at a Future Placing Price which is less than the Conversion Price in effect on the Exchange Business Day immediately preceding the Effective Date the Conversion Price shall be subject to adjustment in accordance with this Condition 25. However, if any such issue also falls within the terms of any of Condition 19 (*Shares, Rights and Share-Related Securities Issued to Shareholders*), Condition 21 (*Issues of Shares at Below Current Market Price*) or Condition 22 (*Share-Related Securities Issued Other than to Shareholders*), the Conversion Price shall be subject to adjustment in accordance with whichever of this Condition 25 and such other Condition would produce a greater adjustment.
- (b) *Effective Date:* For the purposes of this Condition 25, the "**Effective Date**" means the date of issue of such Shares, Share-Related Securities or Rights in respect of Shares or Share-Related Securities.
- (c) *Adjustment to the Conversion Price:* In relation to each Note for which the Optional Conversion Date or the Mandatory Conversion Date, as the case may be, has not occurred prior to the Effective Date, the Conversion Price shall be adjusted so that it equals the Future Placing Price;

*provided that* in any such case,

- (i) the Conversion Price shall not be reduced below the then par value per Share (currently £0.25 per Share); and
  - (ii) for the avoidance of doubt, any such adjustment to the Conversion Price shall only be a downward adjustment.
- (d) *Effect of adjustment:* The Conversion Price as adjusted pursuant to this Condition 25 shall apply, with effect from and including the Effective Date, to each Note for which the Optional Conversion Date or the Mandatory Conversion Date has not occurred prior to the Effective Date. Any such adjustment shall be subject to any subsequent adjustment pursuant to these Conditions.

**26. Other Events; Contemporaneous Events**

- (a) *Adjustment event:* If the Issuer (after consultation with the Trustee) determines that:
- (i) an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in Condition 15 (*Adjustments to the Conversion Price*) to Condition 25 (*Issue of Shares*) (even if the relevant event or circumstance is specifically excluded from the operation of Condition 15 (*Adjustments to the Conversion Price*) to Condition 25 (*Issue of Shares*)); or
  - (ii) more than one event which gives rise or may give rise to an adjustment to the Conversion Price has occurred or will occur within such a short period of time that a modification to the operation of the adjustment provisions is required in order to give the intended result,
  - (iii) one event which gives rise or may give rise to more than one adjustment to the Conversion Price has occurred or will occur such that a modification to the operation of the adjustment provisions is required in order to give the intended result,

then the Issuer shall, at its own expense, use all reasonable endeavours to procure that such adjustment (if any) to the Conversion Price as is fair and reasonable to take account thereof and the date on which such adjustment should take effect shall be Determined by an Expert *provided that* the Conversion Price may not be increased pursuant to this Condition 26.

- (b) *Effective Date:* Upon such determination, the Issuer and the Holding Company shall procure that such adjustment (if any) shall be made and shall take effect in accordance with such determination *provided, however, that* an adjustment shall only be made pursuant to this Condition 26 if the relevant Expert is requested to make such a determination not more than 30 days after the date on which the relevant event occurs or circumstances exist.
- (c) *Certificate of Expert:* If any doubt shall arise as to any appropriate adjustment to the Conversion Price, the Issuer shall use all reasonable endeavours to procure that the appropriate adjustment shall be Determined by an Expert and a certificate from the relevant Expert as to the appropriate adjustment to the Conversion Price shall, in the absence of manifest error, be conclusive and binding on all concerned.

**27. Minor Adjustments and No Adjustments**

- (a) *Rounding and adjustments of less than one per cent:* On any adjustment of the Conversion Price, the resultant Conversion Price, if not an integral multiple of one penny, shall be rounded down to the nearest whole penny. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment but such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time.
- (b) *Employee share schemes:* No adjustment shall be made to the Conversion Price where Shares or other securities (including rights, warrants or options) are issued, offered, exercised, allotted, appropriated, modified or granted to or for the benefit of, or are subscribed, purchased or otherwise acquired by, employees or former employees (including directors holding or

formerly holding executive office) of the Holding Company or any Subsidiary or any associated company of the Holding Company pursuant to any employees' share scheme or plan (including a dividend reinvestment plan).

- (c) *Consolidation, merger, etc.:* No adjustment shall be made to the Conversion Price where Shares or other securities (including rights, warrants or options) are issued, offered, exercised, allotted, appropriated, modified or granted in relation to any Corporate Event.
- (d) *Adjustments not permitted by law:* The Conversion Price may not be adjusted so that the exercise of the Optional Conversion Right or upon Mandatory Conversion would require Shares to be issued in circumstances not permitted by applicable law.

**28. Retroactive Adjustments**

- (a) *Adjustment Event:* If and whenever the Conversion Price is to be adjusted pursuant to any of Condition 15 (*Adjustments to the Conversion Price*) to Condition 25 (*Issue of Shares*) and the Optional Conversion Date or the Mandatory Conversion Date, as the case may be, in relation to any Note is after the Record Date for any such issue, distribution, grant or offer as is mentioned in the relevant Condition but before the relevant adjustment becomes effective under the relevant Condition the Optional Conversion Right attaching to the relevant Note or, the Mandatory Conversion, as the case may be, shall be subject to adjustment in accordance with this Condition 28.
- (b) *Adjustment to the Optional Conversion Right and the Mandatory Conversion:* Upon the date on which the relevant adjustment becomes effective under the relevant Condition (the "**Retroactive Adjustment Date**") the Issuer shall procure that there shall be issued to the converting Noteholder or to another person in accordance with the instructions contained in the relevant Conversion Notice, or in the case of the Mandatory Conversion, to the relevant Noteholder or such other Person as the Issuer and the relevant Noteholder may agree and in the case of Condition 12(e) (*Mandatory Conversion - Failure by the Noteholder*), to the Trustee (or nominee), such additional number of Shares (the "**Additional Shares**") as, together with the Shares issued or to be issued on conversion of the relevant Note (together with any fraction of a Share not so issued due to Condition 10(f) (*Optional Conversion - Fractions of a Share*)), is equal to the number of Shares which would have been required to be issued on conversion of such Note if the relevant adjustment to the Conversion Price had in fact been made and become effective immediately before the relevant Optional Conversion Date or, as the case may be, the Mandatory Conversion Date. In calculating the number of any such additional Shares the provisions of Condition 10(f) (*Optional Conversion - Fractions of a Share*) shall apply *mutatis mutandis*.
- (c) *Shares in uncertificated form:* Such Additional Shares will be delivered in uncertificated form through CREST, unless the relevant Noteholder elects to receive the Shares in certificated registered form or, at the time of issue, the Shares are not capable of delivery through CREST. Where Shares are to be issued through CREST, they will be delivered to the account specified by the relevant Noteholder in the relevant Conversion Notice by not later than five London business days following the relevant Retroactive Adjustment Date.
- (d) *Shares in certificated form:* Where such Additional Shares are to be issued in certificated form, a certificate in respect thereof will be dispatched by mail free of charge (but uninsured and at

the risk of the person entitled thereto) to the relevant Noteholder or as it may direct in the relevant Conversion Notice within 21 days following the relevant Retroactive Adjustment Date.

- (e) *Shares on a Mandatory Conversion:* Subject as provided in Condition 12(e) (*Mandatory Conversion - Failure by the Noteholder*), in which circumstances, any Additional Shares will be issued to the Trustee (or such nominee) for sale and distribution pursuant to such Condition, Additional Shares to be issued on the Mandatory Conversion will be issued pursuant to Conditions 28(c) (*Retroactive Adjustment - Shares in uncertificated form*) and 28(d) (*Retroactive Adjustment - Shares in certificated form*) above to the relevant Noteholder or to such other Person as the Issuer and the relevant Noteholder may agree. For the purpose of such issue on the Mandatory Conversion, references in Conditions 28(c) (*Retroactive Adjustment - Shares in uncertificated form*) and 28(d) (*Retroactive Adjustment - Shares in certificated form*) above to the relevant Noteholder shall be amended to refer to the relevant Noteholder or to such other Person as the Issuer and the relevant Noteholder may agree.
- (f) *Rights Arising on Conversion:* In the case of any Additional Shares, each reference in the provisions contained in the Undertaking as set out under Condition 14 in paragraph (A) (*Rights in respect of Shares issued upon conversion*) to paragraph (C) (*Voting rights in respect of Shares*) to the Optional Conversion Date, or the Mandatory Conversion Date, as the case may be, shall be deemed to be a reference to the relevant Retroactive Adjustment Date.

**29. Aggregate Consideration and Consideration per Share**

- (a) *Applicability of this Condition:* For the purpose of calculating any adjustment to the Conversion Price pursuant to these Conditions, in the case of any:
  - (i) issue, grant or offer of Shares, Share-Related Securities, Rights in respect of Shares or Rights in respect of Share-Related Securities; or
  - (ii) grant to any existing securities issued of such rights as to make such securities Share-Related Securities; or
  - (iii) amendment of the terms of any Rights or Share-Related Securities (other than in accordance with their terms of issue),

the "**Aggregate Consideration**" and the "**Number of Shares**" shall be calculated or determined (if necessary) in accordance with the following provisions of this Condition 29 and the "**Consideration per Share**" shall, in each case, be the relevant Aggregate Consideration divided by the relevant Number of Shares.

- (b) *Shares for cash:* In the case of an issue, grant or offer of Shares for cash:
  - (i) the Aggregate Consideration shall be the amount of such cash, *provided that* in no such case shall any deduction be made for any commissions or any expenses paid or incurred by the Holding Company for any underwriting of the issue or otherwise in connection therewith; and
  - (ii) the Number of Shares shall be the number of Shares so issued, granted or offered.

- (c) *Shares not for cash:* In the case of the issue, grant or offer of Shares for a consideration in whole or in part other than cash:
- (i) the Aggregate Consideration shall be the amount of such cash (if any) plus the consideration other than cash, which shall be deemed to be the Fair Market Value thereof or, if pursuant to applicable law such determination is to be made by application to a court of competent jurisdiction, the value thereof as determined by such court or an appraiser appointed by such court, irrespective of the accounting treatment thereof; and
  - (ii) the Number of Shares shall be the number of Shares so issued, granted or offered.
- (d) *Issue of Share-Related Securities:* In the case of the issue, grant or offer of Share-Related Securities or Rights in respect of Share-Related Securities or the grant to any securities issued of such rights as to make such securities Share-Related Securities:
- (i) the Aggregate Consideration shall be:
    - (A) the consideration (if any) received by the Holding Company or any Subsidiary of the Holding Company for such Share-Related Securities and (if applicable) Rights or, as the case may be, such grant; plus
    - (B) the additional consideration (if any) to be received by the Holding Company or any Subsidiary of the Holding Company upon (and assuming) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Share-Related Securities at the initial price or rate and (if applicable) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Share-Related Securities pursuant to the terms of such Rights at the initial price or rate,

the consideration in each case to be determined in the same manner as provided in paragraphs (b) and (c) of this Condition 29; and
  - (ii) the Number of Shares shall be the number of Shares to be issued upon (and assuming) such exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Share-Related Securities at the initial price or rate and (if applicable) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Share-Related Securities pursuant to the terms of such Rights at the initial price or rate.
- (e) *Amendment of Share-Related Securities/Rights in respect of Share-Related Securities:* In the case of the amendment of the terms of any Share-Related Securities and/or Rights in respect of Share-Related Securities (in either case, other than in accordance with their terms of issue):
- (i) the Aggregate Consideration shall be:
    - (A) the consideration (if any) received by the Holding Company or any Subsidiary of the Holding Company for such amendment; plus
    - (B) the additional consideration (if any) to be received by the Holding Company or any Subsidiary of the Holding Company upon (and assuming) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant

to the terms of such Share-Related Securities at the initial price or rate or (in the case of an amendment to the terms of such Share-Related Securities) the amended price or rate and (if applicable) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Share-Related Securities pursuant to the terms of such Rights at the initial price or rate or (in the case of an amendment to the terms of such Rights) the amended price or rate,

the consideration in each case to be determined in the same manner as provided in paragraphs (b) and (c) of this Condition 29; and

- (ii) the Number of Shares shall be the number of Shares to be issued upon (and assuming) such exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Share-Related Securities at the initial price or rate or (in the case of an amendment to the terms of such Share-Related Securities) the amended price or rate and (if applicable) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Share-Related Securities pursuant to the terms of such Rights at the initial price or rate or (in the case of an amendment to the terms of such Rights) the amended price or rate.

- (f) *Rights in respect of Shares:* In the case of the issue, grant or offer of Rights in respect of Shares or the amendment of the terms of any Rights in respect of Shares (other than in accordance with their terms of issue):

- (i) the Aggregate Consideration shall be:
  - (A) the consideration received by the Holding Company for any such Rights or, as the case may be, such amendment; plus
  - (B) the additional consideration to be received by the Holding Company upon (and assuming) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Rights at the initial price or rate or (in the case of an amendment to the terms of such Rights) the amended price or rate,

the consideration in each case to be determined in the same manner as provided in paragraphs (b) and (c) of this Condition 29; and

- (ii) the Number of Shares shall be the number of Shares to be issued upon (and assuming) the exercise in full of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Rights at the initial price or rate or (in the case of an amendment to the terms of such Rights) the amended price or rate.

- (g) *Currency translation:* If any of the consideration referred to in any of the preceding paragraphs of this Condition 29 is receivable in a currency other than Sterling, such consideration shall be translated into Sterling for the purposes of this Condition 29:

- (i) in any case where there is a fixed rate of exchange between Sterling and the relevant currency for the purposes of the issue, grant or offer of the Shares, Share-Related Securities or Rights, the exercise of the rights to subscribe for, purchase or otherwise acquire Share-Related Securities pursuant to the terms of such Rights or the exercise

of the rights to subscribe for, purchase or otherwise acquire Shares pursuant to the terms of such Rights or Share-Related Securities, at such fixed rate of exchange; and

- (ii) in all other cases, at the Screen Rate on the date as of which the said consideration is required to be calculated.

30. **Trustee Not Obligated to Monitor**

The Trustee shall not be under any duty to monitor or make enquiries as to whether or not any event or circumstance which gives rise or may give rise to an adjustment to the Conversion Price has occurred or may occur or as to the amount of any adjustment actually made and will not be responsible to the Noteholders or any other person for any loss arising from any failure by it to do so.

31. **Notice of Adjustment of the Conversion Price**

The Issuer shall give notice to the Trustee and to the Noteholders in accordance with Condition 43 (*Notices*) and to the London Stock Exchange (so long as the Notes are admitted to the Official List of the UK Listing Authority) of any adjustment of the Conversion Price as soon as reasonably practicable following the determination thereof.

*COVENANTS RELATING TO CONVERSION*

32. **Shares Available**

For so long as any Optional Conversion Right remains exercisable and up to (and including) the Mandatory Conversion Date (if any Notes remain outstanding), the Holding Company shall keep available for issue free from pre-emptive or other similar rights out of its authorised but unissued share capital such number of Shares as would enable the Holding Company to issue Shares in consideration for the transfer to it or to its order of the Notes pursuant to such Optional Conversion Right or Mandatory Conversion, as the case may be, and all other rights of subscription and exchange for and conversion into Shares to be satisfied in full at the current subscription, purchase or other acquisition prices or rates.

33. **Listing of Shares Issued upon Conversion**

The Holding Company shall use all reasonable endeavours to ensure that the Shares issued upon exercise of any Optional Conversion Right or upon Mandatory Conversion will be admitted to listing and trading by the Relevant Exchange in accordance with its rules and will be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems by which the Shares are then (following application by or on behalf of the Holding Company) admitted to listing, trading and/or quotation in accordance with their respective rules.

34. **Corporate Reorganisation**

- (a) *Merger:* If any of the following corporate events (each, a "**Corporate Event**") occurs:

- (i) a consolidation, amalgamation or merger of the Holding Company with any other corporation (other than a consolidation, amalgamation or merger in which the Holding Company is the continuing corporation);

- (ii) a takeover offer is made under the City Code on Take-overs and Mergers (or any equivalent or similar rules or regulations) or any scheme of arrangement is effected in respect of the whole of the issued Shares of the Holding Company, as a result of which (x) the whole of the issued Shares of the Holding Company are acquired by another entity, or (y) the holding company which, immediately prior to such event, was the ultimate holding company of the Holding Company's group of companies, ceases to be such ultimate holding company;
- (iii) a scheme of arrangement or analogous arrangement is effected as a result of which a limited liability company ("**NewCo**") is interposed between the Shareholders of the Holding Company immediately prior to such scheme of arrangement or analogous arrangement (the "**Existing Shareholders**"), and the Holding Company (a "**NewCo Scheme**"), *provided, however, that* only ordinary shares of NewCo are issued to Existing Shareholders and that immediately after completion of the scheme of arrangement the only shareholders of NewCo are the Existing Shareholders and that all Subsidiaries of the Holding Company immediately prior to the scheme of arrangement (other than NewCo, if NewCo is then a Subsidiary of the Holding Company) are Subsidiaries of the Holding Company (or of NewCo) immediately after the scheme of arrangement;
- (iv) an offer is made to all (or as near as practicable all) the Shareholders of the Holding Company, the result of which offer is the exchange of all of the issued Shares for shares of the offeror and/or any associates of the offeror (as defined in Section 988(1) of the Companies Act 2006 or any modification or re-enactment thereof); or
- (v) an event the effect of which is similar to any of the above and which event requires the approval of the Shareholders of the Holding Company,

then the Holding Company shall promptly notify the Noteholders of such Corporate Event and (so far as legally possible) use all reasonable endeavours to cause the corporation resulting from such consolidation, amalgamation or merger or the offeror or the new holding company, as the case may be, to execute a deed poll providing that the Noteholders shall have the right (during the Optional Conversion Period) to convert the Notes into, and to receive on a Mandatory Conversion, as the case may be, the class and amount of shares and other securities and property receivable upon such Corporate Event by a holder of the number of Shares as would have been issued on conversion of a Note had the relevant Optional Conversion Date or Mandatory Conversion Date, as the case may be, fallen immediately prior to such Corporate Event.

- (b) *Other adjustments:* Any deed poll referred to in (a) above shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in these Conditions.

### 35. **Restrictions on Adjustments to Share Capital**

For so long as any Optional Conversion Right remains exercisable and up to (and including) the Mandatory Conversion Date (if any Notes remain outstanding), the Holding Company shall not:

- (a) *Reduction of share capital:* save for any court-sanctioned reduction of capital (not itself involving a return of capital to shareholders) which is carried out solely for the purpose of creating sufficient distributable reserves to meet future dividend payments



in accordance with the then current dividend policy of the Holding Company, reduce its issued share capital, share premium account or any uncalled liability in respect thereof or any non-distributable reserves except:

- (i) pursuant to the terms of issue of the relevant share capital;
  - (ii) by means of a purchase or redemption of share capital;
  - (iii) in the context of a NewCo Scheme;
  - (iv) where such reduction has been Determined by an Expert to be not materially prejudicial to the interests of the Noteholders; or
  - (v) where such reduction gives rise (or would, but for the provisions of Condition 27 (*Minor Adjustments and no Adjustments*), give rise) to an adjustment to the Conversion Price; or
- (b) *Capitalisation of profits or reserves*: issue or pay up any securities, in either case, by way of capitalisation of profits or reserves unless doing so:
- (i) constitutes a Dividend which does not give rise to an adjustment to the Conversion Price;
  - (ii) in the context of a NewCo Scheme; or
  - (iii) gives rise (or would, but for the provisions of Condition 27 (*Minor Adjustments and No Adjustments*), give rise) to an adjustment to the Conversion Price; or
- (c) *Rights attaching to Shares*: in any way amend the rights attaching to the Shares with respect to voting, dividends or liquidation nor issue any other class of equity share capital carrying any rights which are more favourable than the rights attaching to the Shares with respect to voting, dividends or liquidation, *provided that* nothing in this Condition 35(c) shall prevent:
- (i) an issue of equity share capital to or for the benefit of employees or former employees (including directors holding or formerly holding executive office) of the Holding Company or any Subsidiary or any associated company of the Holding Company pursuant to any employees' share scheme or plan (including a dividend reinvestment plan); or
  - (ii) an issue or amendment which gives rise (or would, but for the provisions of Condition 27 (*Minor Adjustments and No Adjustments*), give rise) to an adjustment to the Conversion Price; or
  - (iii) an issue or amendment which would give rise to an adjustment to the Conversion Price but for the fact that the relevant Consideration per Share is at least 95 per cent. of the relevant Current Market Price; or
  - (iv) an issue or amendment which has been Determined by an Expert to be not materially prejudicial to the interests of Noteholders; or
- (d) *Frustration of Optional Conversion Right or Mandatory Conversion*: take any action if the effect would be that exercise of the Optional Conversion Right or the Mandatory

Conversion would require Shares to be issued in circumstances not permitted by applicable law.

#### *MISCELLANEOUS PROVISIONS*

36. **Determined by an Expert**

In relation to any matter required by these Conditions or the Trust Deed to be Determined by an Expert, the Issuer shall promptly appoint an Expert with the prior written approval of the Trustee. If when any matter is required by these Conditions or the Trust Deed to be Determined by an Expert, the Issuer shall within a reasonable time fail to appoint an Expert the Trustee shall be entitled (but not obliged) to make such appointment. In either case, any such appointment shall be for the account of the Issuer.

37. **Prescription**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

38. **Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying and Conversion Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

39. **Trustee and Paying and Conversion Agents**

- (a) *Role of Trustee:* Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its fees, costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Holding Company and any entity relating to the Issuer or the Holding Company without accounting for any profit. In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of Notes or Coupons as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.
- (b) *Trustee acts for Noteholders only:* The Trustee is trustee for the holders of Notes only and not the holders of Shares. The Trustee shall not at any time be responsible for the value, sufficiency or validity of any of the Shares or the Conversion Price or the delivery of Shares. The Trustee shall not be obliged to exercise any voting rights or any other related rights in respect of the Shares issued to it pursuant to these Conditions and shall not be liable to anyone for failure to do so.
- (c) *Reliance:* The Trustee may rely without liability to Noteholders on a report, confirmation or certificate of any accountants, financial advisers or investment bank, whether or not addressed

to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee shall be obliged to accept and entitled to rely on any such report, confirmation or certificate where the Issuer procures delivery of the same pursuant to its obligation to do so under a condition hereof and such report, confirmation or certificate shall be binding on the Issuer, the Holding Company, the Trustee and the Noteholders in the absence of manifest or proven error.

- (d) *Roles of Paying and Conversion Agents:* In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying and Conversion Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.
- (e) *Changes to Paying and Conversion Agents:* The initial Paying and Conversion Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Paying and Conversion Agent and to appoint a successor principal paying and conversion agent and additional or successor paying and conversion agents; *provided, however, that* the Issuer shall at all times maintain a principal paying and conversion agent.

Notice of any change in any of the Paying and Conversion Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 43 (*Notices*).

#### 40. **Meetings of Noteholders; Modification and Waiver**

- (a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions, the Trust Deed or the Undertaking. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf Noteholders holding not less than three-quarters of the aggregate principal amount of the outstanding Notes who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification and waiver:* The Trustee may, without the consent of the Noteholders or Couponholders agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed which is in the opinion of the Trustee of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders or Couponholders authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

#### 41. **Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so and nor shall the Trustee be bound to take or omit to take any step or action (including instituting such proceedings) unless:

- (a) it has been so requested in writing by the holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

#### 42. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

#### 43. **Notices**

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

44. **Governing Law**

The Trust Deed, the Notes and the Undertaking and all non-contractual obligations arising out of or in connection with the Trust Deed, the Notes and the Undertaking are governed by English law.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Issue Date with a common depositary for Euroclear and Clearstream, Luxembourg.

The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Issue Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

From 1 July 2009 onwards, the Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") in the denomination of £50,000 at the request of the bearer of the Permanent Global Note against presentation and surrender of the Permanent Global Note to the Principal Paying and Conversion Agent if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business (an "**Exchange Event**").

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying and Conversion Agent within 30 days of the occurrence of the Exchange Event.

In addition, the Temporary Global Note and the Permanent Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Temporary Global Note and the Permanent Global Note. The following is a summary of certain of those provisions:

### 1. **Payments**

All payments in respect of the Temporary Global Note and/or the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note to or to the order of any Paying and Conversion Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the payment is noted in a schedule thereto.

### 2. **Notices**

Notwithstanding Condition 43 (*Notices*), while all the Notes are represented by the Temporary Global Note and/or the Permanent Global Note and the Temporary Global Note and/or the Permanent Global Note is/are deposited with a common depositary for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 43 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg.

3. **Prescription**

Claims in respect of principal and interest on the Notes represented by the Temporary Global Note and/or the Permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date.

4. **Meetings**

For the purposes of any meeting of Noteholders, the holder of the Temporary Global Note and/or the Permanent Global Note shall be treated as one person for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, as having one vote in respect of each £50,000 in principal amount of the Notes represented by the Temporary Global Note or (as the case may be) the Permanent Global Note.

5. **Trustee's Powers**

In considering the interests of Noteholders in circumstances where the Temporary Global Note and/or the Permanent Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided 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 category) with entitlements in respect of the Temporary Global Note and/or the Permanent Global Note, as the case may be, and may consider such interests on the basis that such accountholders were the holder of the relevant Temporary Global Note and/or Permanent Global Note.

6. **Procedure for Optional Conversion**

Notwithstanding paragraphs (i) and (ii) of Condition 11(a) (*Procedure for Optional Conversion — Deposit of Note*), whilst the Notes are represented by the Temporary Global Note and/or the Permanent Global Note, the Optional Conversion Rights will be exercisable by presentation of the Temporary Global Note or (as the case may be) the Permanent Global Note to or to the order of the Principal Paying and Conversion Agent for notation of exercise of the relevant Optional Conversion Rights together with one or more duly completed Conversion Notices.

7. **Procedure for Mandatory Conversion**

Notwithstanding paragraph (i) of Condition 12(d) (*Mandatory Conversion — Procedure for Mandatory Conversion*), whilst the Notes are represented by the Temporary Global Note and/or the Permanent Global Note, the Mandatory Conversion will be effected by presentation of the Temporary Global Note and/or the Permanent Global Note to or to the order of the Principal Paying and Conversion Agent for notation of the Mandatory Conversion together with one or more duly completed Conversion Notices.

8. **Transfer of the Notes**

Whilst the Notes are represented by the Temporary Global Note and/or the Permanent Global Note, a Noteholder shall in the relevant Conversion Notice confirm its instructions to transfer its interests in the Temporary Global Note or (as the case may be) the Permanent Global Note to the Principal Paying and Conversion Agent for the account of the Holding Company as consideration for the issue by the Holding Company of fully paid Shares to the Noteholder.

9. **Failure by the Noteholder**

Notwithstanding Condition 12(e) (*Mandatory Conversion — Failure by the Noteholder*), whilst the Notes are represented by the Temporary Global Note and/or the Permanent Global Note on the Mandatory Conversion Date, if, in respect of any holder of a Note, an instruction to transfer its interest in such Note to the Principal Paying and Conversion Agent and/or a Conversion Notice have not been delivered in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg and in accordance with the terms of the Temporary Global Note or (as the case may be) Permanent Global Note by the day falling four business days prior to the Mandatory Conversion Date and/or the pre-condition set out in (ii) of Condition 12(d) (*Mandatory Conversion — Procedure for Mandatory Conversion*) is not satisfied by the day falling four business days prior to the Mandatory Conversion Date, such Noteholder will be deemed to have irrevocably authorised Euroclear or Clearstream, Luxembourg (as the case may be) to hold such Note in a blocked account subject to the following conditions:

- (i) Euroclear or Clearstream, Luxembourg (as the case may be) will promptly notify the Principal Paying and Conversion Agent, the Issuer, the Holding Company and the Trustee of the aggregate principal amount of all such Notes held in such blocked accounts;
- (ii) the Holding Company shall be entitled to have transferred to it or to its order all such Notes held in such blocked accounts against payment to the relevant Noteholder of such net proceeds of sale and any such cash amount paid as described in Condition 12(e) (*Mandatory Conversion — Failure by the Noteholder*);
- (iii) in consideration of its rights to receive all such Notes held in such blocked accounts the Holding Company shall issue fully paid Shares in accordance with Condition 12(e) (*Mandatory Conversion — Failure by the Noteholder*) to the Trustee or as the Trustee may direct (or one or more other duly appointed nominees) on the Mandatory Conversion Date;
- (iv) the Trustee (or such nominees) will dispose of the relevant Shares in accordance with Condition 12(e) (*Mandatory Conversion — Failure by the Noteholder*) and the net proceeds of sale and any such cash amount paid as described in Condition 12(e) (*Mandatory Conversion — Failure by the Noteholder*) will be paid to or to the order of the holder of the Temporary Global Note and/or Permanent Global Note for payment to the relevant Noteholders in proportion to the aggregate principal amount of all relevant Notes held in such blocked accounts by each relevant Noteholder in accordance with the rules and procedures of Euroclear or Clearstream, Luxembourg (as the case may be); and
- (v) against such payment, the relevant Notes will be released by Euroclear or Clearstream, Luxembourg (as the case may be) from their previously blocked accounts and transferred to the Holding Company or to its order.



## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes are expected to amount to approximately £3,875,000,000 after deduction of commissions and concessions and the expenses incurred in connection with the issue of the Notes. The Issuer intends to use the net proceeds to strengthen further its capital base to meet its objectives as set out in the Announcement.

## DESCRIPTION OF THE ISSUER, THE HOLDING COMPANY AND THE GROUP

The Holding Company is a public limited company registered in England under number 48839. The liability of the members of the Holding Company is limited. It has its registered head office at 1 Churchill Place, London, E14 5HP, telephone number +44 (0)20 7116 1000. Tracing its origins to seventeenth century London, the Holding Company has evolved from a group of English partnerships into a global bank. The Holding Company was incorporated on 20 July 1896 under the Companies Acts 1862 to 1890.

The Issuer is a public limited company registered in England and Wales under number 1026167. The liability of the members of the Issuer is limited. It has its registered head office at 1 Churchill Place, London, E14 5HP, telephone number +44 (0)20 7116 1000. The Issuer was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Act 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, the Issuer was re-registered as a public limited company and its name was changed from "Barclays Bank International Limited" to "Barclays Bank PLC".

The Holding Company and its subsidiary undertakings (taken together, the "**Group**") is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The whole of the issued ordinary share capital of the Issuer is beneficially owned by the Holding Company, which is the ultimate holding company of the Group and is one of the largest financial services companies in the world by assets.

The short term unsecured obligations of the Holding Company are rated A-1+ by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("**Standard & Poor's**"), P-1 by Moody's Investors Service, Inc. ("**Moody's**") and F1+ by Fitch Ratings Limited ("**Fitch**") and the long-term obligations of the Holding Company are rated AA- by Standard & Poor's, Aa2 by Moody's and AA by Fitch.

The short term unsecured obligations of the Issuer are rated A-1+ by Standard & Poor's, P-1 by Moody's and F1+ by Fitch and the long-term obligations of the Issuer are rated AA by Standard & Poor's, Aa1 by Moody's and AA by Fitch.

Based on the Group's unaudited financial information for the six months ended 30 June 2008, the Group had total assets of £1,365,654 million (June 2007: £1,158,262 million), total net loans and advances<sup>1</sup> of £449,981 million (June 2007: £364,434 million), total deposits<sup>2</sup> of £409,225 million (June 2007: £379,873 million) and total shareholders' equity of £32,822 million (June 2007: £28,721 million) (including minority interests of £10,533 million (June 2007: £7,748 million)). The profit before tax of the Group for the six months ended 30 June 2008 was £2,754 million (June 2007: £4,101 million) after impairment charges on loans and advances and other credit provisions of £2,448 million (June 2007: £959 million). The financial information in this paragraph is extracted from the unaudited Interim Results Announcement.

Based on the Group's audited financial information for the year ended 31 December 2007, the Group had total assets of £1,227,361 million (2006: £996,787 million), total net loans and advances<sup>1</sup> of

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<sup>1</sup> Total net loans and advances include balances relating to both bank and customer accounts.

<sup>2</sup> Total deposits include deposits from bank and customer accounts.

£385,518 million (2006: £313,226 million), total deposits<sup>2</sup> of £385,533 million (2006: £336,316 million) and total shareholders' equity of £32,476 million (2006: £27,390 million) (including minority interests of £9,185 million (2006: £7,591 million)). The profit before tax of the Group for the year ended 31 December 2007 was £7,076 million (2006: £7,136 million) after impairment charges on loans and advances and other credit provisions of £2,795 million (2006: £2,154 million). The financial information in this paragraph is extracted from the Joint Annual Report.

Based on the unaudited financial information of the Issuer and its consolidated subsidiaries for the six months ended 30 June 2008, the Issuer and its consolidated subsidiaries had total assets of £1,365,752 million (June 2007: £1,158,539 million), total net loans and advances<sup>1</sup> of £449,981 million (June 2007: £364,434 million), total deposits<sup>2</sup> of £409,491 million (June 2007: £380,079 million) and total shareholders' equity of £32,627 million (June 2007: £28,789 million) (including minority interests of £1,826 million (June 2007: £1,810 million)). The profit before tax of the Issuer and its consolidated subsidiaries for the six months ended 30 June 2008 was £2,784 million (June 2007: £4,128 million) after impairment charges on loans and advances and other credit provisions of £2,448 million (June 2007: £959 million). The financial information in this paragraph is extracted from the unaudited Issuer Interim Results Announcement.

Based on the audited financial information of the Issuer and its consolidated subsidiaries for the year ended 31 December 2007, the Issuer and its consolidated subsidiaries had total assets of £1,227,583 million (2006: £996,503 million), total net loans and advances<sup>1</sup> of £385,518 million (2006: £313,226 million), total deposits<sup>2</sup> of £386,395 million (2006: £336,316 million) and total shareholders' equity of £31,821 million (2006: £27,106 million) (including minority interests of £1,949 million (2006: £1,685 million)). The profit before tax of the Issuer and its consolidated subsidiaries for the year ended 31 December 2007 was £7,107 million (2006: £7,197 million) after impairment charges on loans and advances and other credit provisions of £2,795 million (2006: £2,154 million). The financial information in this paragraph is extracted from the audited 2007 Issuer Annual Report.

### **Acquisitions**

On 17 September 2008, the Board announced that the Group had agreed, subject to US Court and relevant regulatory approvals, to acquire Lehman Brothers North American investment banking and capital markets operations and supporting infrastructure. Following receipt on 19 September 2008 of approval from the United States Bankruptcy court for the Southern District of New York, on 22 September 2008 the Group completed such acquisition. The Group also acquired the New York headquarters of Lehman Brothers as well as two data centres and the total consideration paid was U.S.\$1.54 billion (£0.9 billion).

On 1 July 2008, the Group acquired 100 per cent. of the shares of the Russian Bank, Expobank, for a consideration of approximately U.S.\$745 million (£373 million).

On 31 March 2008, the Group completed the acquisition of Discover's UK credit card business, Goldfish, for a cash consideration of £38 million (including attributable costs of £3million), for fair value of net assets of £127 million, which gave rise to a gain on acquisitions of £89 million.

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<sup>1</sup> Total net loans and advances include balances relating to both bank and customer accounts.

<sup>2</sup> Total deposits include deposits from bank and customer accounts.

On 7 March 2008, Absa acquired, for a consideration of £5 million, a further 24 per cent. of Meeg Bank Limited, bringing Absa's shareholding up to 74 per cent. Meeg Bank is based in South Africa.

### **Disposals**

On 31 October 2008, the Group completed the sale of Barclays Life Assurance Company Limited to Swiss Reinsurance Company for a consideration of approximately £762 million.

On 31 January 2008, the Group completed the sale of Barclays Global Investors Japan Trust & Banking Co. Ltd, a Japanese trust administration and custody operation.

### **Recent developments**

#### *The Capital Raising*

On 8 October 2008, the UK Government announced a set of measures designed to ensure the stability of the UK financial system and to protect ordinary savers, depositors, businesses and borrowers. On 13 October 2008, the UK Government announced the implementation of these measures. The measures are intended to provide sufficient short term liquidity; to make available new Tier 1 capital to UK banks to strengthen their financial resources; and to ensure that the banking system has the funds necessary to maintain lending in the medium term through a credit guarantee scheme relating to short and medium term debt issuance. As part of the measures, the FSA has set higher capital targets for all UK banks.

On 13 October 2008, the Holding Company made an announcement relating to these measures. This Announcement is incorporated by reference into this Prospectus.

On 31 October 2008, the Board made an announcement (the "**Capital Raising Announcement**") of a proposal to raise more than £7 billion of additional capital (the "**Capital Raising**") from existing and new strategic and institutional investors. The Capital Raising will on completion (which is expected to be on or around 27 November 2008) satisfy the target capital levels agreed with the FSA.

The Capital Raising includes:

- An issue of £3 billion of Reserve Capital Instruments (the "**RCIs**") by the Issuer to Qatar Holding LLC and entities representing the beneficial interests of HH Sheikh Mansour Bin Zayed Al Nahyan, a member of the Royal Family of Abu Dhabi ("**HH Sheikh Mansour Bin Zayed Al Nahyan**"). In conjunction with this issue, Qatar Holding LLC and HH Sheikh Mansour Bin Zayed Al Nahyan have also subscribed (for a nominal consideration) for warrants (the "**Warrants**") to subscribe at their option for up to 1,516,875,236 new ordinary shares of the Holding Company with an exercise price of 197.775 pence per share.
- An issue of £2.8 billion of the Notes by the Issuer to Qatar Holding LLC, Challenger Universal Limited (a company representing the beneficial interests of His Excellency Sheikh Hamad Bin Jassim Bin Jabr Al-Thani, the chairman of Qatar Holding LLC, and his family) ("**Challenger**") and HH Sheikh Mansour Bin Zayed Al Nahyan, and a further issue of £1.25 billion of Notes to existing institutional shareholders and other institutional investors by way of an accelerated non-underwritten bookbuild placing implemented on 31 October 2008. See "*Subscription, Placing and Sale*".
- Ordinary shares to be issued upon conversion of the Notes and, as the case may be, exercise of the Warrants will increase Barclays equity Tier 1 ratio. The equity component of the proceeds from the RCIs and Warrants, representing the fair value of the Warrants, will be included in

equity Tier 1 capital and the debt component of the proceeds of the RCIs and the Warrants will be included as innovative Tier 1 capital to the extent it is within the innovative Tier 1 allowance as defined by the FSA.

Qatar Holding LLC agreed to invest £500 million in Notes and £1.5 billion in RCIs, and subscribed for Warrants to purchase up to £1.5 billion of Barclays PLC ordinary shares. Challenger agreed to invest £300 million in the Notes. Assuming the conversion of their Notes and the full exercise of their Warrants, Qatar Holding LLC would hold approximately 1,607 million ordinary shares, representing 12.8 per cent. of the fully diluted share capital of the Holding Company and Challenger would hold approximately 354 million ordinary shares, representing 2.8 per cent. of the fully diluted share capital of the Holding Company. In addition to any other fees and commissions payable in connection with the issue of the securities, Qatar Holding LLC will receive a fee of £66 million for having arranged certain of the subscriptions in the Capital Raising.

HH Sheikh Mansour Bin Zayed Al Nahyan agreed to invest £2 billion in the Notes and £1.5 billion in RCIs, and subscribed for Warrants to purchase up to £1.5 billion of Barclays PLC ordinary shares. Assuming the conversion of his Notes and the full exercise of his Warrants, HH Sheikh Mansour Bin Zayed Al Nahyan would be beneficially entitled to approximately 2,063 million ordinary shares, representing 16.5 per cent. of the fully diluted share capital of the Holding Company.

HH Sheikh Mansour Bin Zayed Al Nahyan has arranged for his investment in the Warrants, the Notes and the RCIs to be funded by an Abu Dhabi governmental investment vehicle, which will become the indirect shareholder of the entities which are subscribing for the Warrants, the Notes and the RCIs.

On 18 November 2008, the Board announced that Qatar Holding LLC and HH Sheikh Mansour Bin Zayed Al Nahyan had each offered to make available up to £250 million of RCIs for clawback by existing Barclays institutional investors at par. By consequence £500 million of RCIs (excluding Warrants) were placed with Barclays institutional investors by way of a bookbuild placing on 18 November 2008.

In addition, the Board also announced that:

- all members of the Board will exceptionally offer themselves for re-election at the Barclays Annual General Meeting to be held in April 2009; and
- no annual bonuses will be paid to executive directors of the Holding Company for 2008, following the offer by the executive directors to waive any annual bonus for 2008.

The necessary shareholder resolutions required in order to effect the Capital Raising were passed by the shareholders of the Holding Company on 24 November 2008.

The unaudited pro forma financial information set out on pages 102 and 103 of this Prospectus has been prepared to illustrate the effect of the Capital Raising as if it had occurred on 30 June 2008.

### *The Placing*

On 18 September 2008, the Board announced the completion of a placing. A total of 226 million new Barclays PLC ordinary shares of 25 pence each (the "**Placing Shares**") issued by the Holding Company were placed with certain institutions at a price of 310 pence per Placing Share (the "**September Placing**"). Based on the placing price, the gross proceeds were £701 million.

### *The Firm Placing and Placing and Open Offer*

On 25 June 2008, the Holding Company announced a share issue to raise approximately £4.5 billion through the issue of 1,576 million new Barclays PLC ordinary shares (the "**Firm Placing and Placing and Open Offer**"). The Firm Placing and Placing and Open Offer includes:

- approximately £500 million raised through a firm placing of 169 million new Barclays PLC ordinary shares at 296 pence per new Barclays PLC ordinary share to Sumitomo Mitsui Banking Corporation;
- approximately £4.0 billion raised through a placing of 1,407 million new Barclays PLC ordinary shares at 282 pence per new Barclays PLC ordinary share to Qatar Investment Authority, Challenger, China Development Bank, Temasek Holdings (Private) Limited and certain leading institutional shareholders and other investors, which shares were available for clawback in full by means of an open offer to existing shareholders. Pursuant to such open offer, existing shareholders were offered the opportunity to subscribe for up to a maximum of their *pro rata* entitlement on the basis of three open offer shares for every 14 existing ordinary shares they held.

The firm placing of 169 million new Barclays PLC ordinary shares was completed on 4 July 2008 and the placing and open offer was completed on 22 July 2008. Valid applications under the open offer were received from qualifying shareholders in respect of approximately 267 million Barclays PLC shares in aggregate, representing 19.0 per cent. of the Barclays PLC shares offered pursuant to the open offer. Accordingly, the remaining 1,140,310,966 Barclays PLC shares were allocated to the various investors with whom they had been conditionally placed.

### *Other*

On 8 July 2008, the Group announced it would close its FirstPlus unit to new business in August 2008.

### **Competition and regulatory matters**

The scale of regulatory change remains challenging, arising in part from the implementation of some key EU directives. Many changes to financial services legislation and regulation have come into force in recent years and further changes will take place in the near future. Concurrently, there is continuing political and regulatory scrutiny of the operation of the retail banking and consumer credit industries in the UK and elsewhere. The nature and impact of future changes in policies and regulatory action are not predictable and beyond the Group's control but could have an impact on the Group's businesses and earnings. In June 2005, an inquiry into retail banking in all of the then 25 Member States was launched by the European Commission's Directorate General for Competition. The inquiry looked at retail banking in Europe generally. In January 2007, the European Commission announced that the inquiry had identified barriers to competition in certain areas of retail banking, payment cards and payment systems in the EU. The European Commission indicated it will use its powers to address these barriers, and will encourage national competition authorities to enforce European and national competition laws

where appropriate. Any action taken by the European Commission and national competition authorities could have an impact on the payment cards and payment systems businesses of the Group and on its retail banking activities in the EU countries in which it operates.

In September 2005, the OFT received a super-complaint from the Citizens Advice Bureau relating to payment protection insurance ("PPI"). As a result, the OFT commenced a market study on PPI in April 2006. In October 2006, the OFT announced the outcome of the market study and the OFT referred the PPI market to the UK Competition Commission for an in-depth inquiry in February 2007. In June 2008, the Competition Commission published its provisional findings, in which it indicated that there was a lack of competition in the UK PPI market, and consulted on those findings and a list of possible remedies. On 13 November 2008, the Competition Commission issued for consultation its provisional decision on remedies and currently intends to publish its final report by the statutory deadline of 6 February 2009. In October 2006, the FSA also published the outcome of its broad industry thematic review of PPI sales practices in which it concluded that some firms fail to treat customers fairly and that the FSA would strengthen its actions against such firms. Tackling poor Payment Protection Insurance (PPI) sales practices remains a priority for the FSA, with their most recent update on their thematic work published in September 2008. The Group has cooperated fully with these investigations and reviews and will continue to do so.

The OFT has carried out investigations into Visa and MasterCard credit card interchange rates. The decision by the OFT in the MasterCard interchange case was set aside by the Competition Appeals Tribunal in June 2006. The OFT's investigation in the Visa interchange case and a second MasterCard interchange case are ongoing. The outcome is not known but these investigations may have an impact on the consumer credit industry in general and therefore on the Group's business in this sector. In February 2007, the OFT announced that it was expanding its investigation into interchange rates to include debit cards.

In April 2007, the UK consumer interest association known as Which? submitted a super-complaint to the OFT pursuant to the Enterprise Act 2000. The super-complaint criticises the various ways in which credit card companies calculate interest charges on credit card accounts. In June 2007, the OFT announced a new programme of work with the credit card industry and consumer bodies in order to make the costs of credit cards easier for consumers to understand. This OFT decision follows the receipt by the OFT of the super-complaint from Which?. This new work will explore the issues surrounding the costs of credit for credit cards including purchases, cash advances, introductory offers and payment allocation. On 11 February 2008, the OFT announced its recommendations, which include the introduction of an FSA price comparison website, improvements to customer information in summary boxes and the use of standard terminology.

In September 2006, the OFT announced that it had decided to undertake a fact find on the application of its statement on credit card fees to current account unauthorised overdraft fees. The fact find was completed in March 2007. On 29 March 2007, the OFT announced its decision to conduct a formal investigation into the fairness of bank current account charges. The OFT initiated a market study into personal current accounts ("PCAs") in the UK on 26 April 2007. The study's focus was PCAs but it also included an examination of other retail banking products, in particular savings accounts, credit cards, personal loans and mortgages in order to take into account the competitive dynamics of UK retail banking. On 16 July 2008, the OFT published its market study report, in which it concluded that certain features of the UK PCA market were not working well for consumers. The OFT reached the provisional view that some form of regulatory intervention is necessary in the UK PCA market. On 16 July 2008, the OFT also announced a consultation to seek views on the findings and possible measures

to address the issues raised in its report. The consultation period closed on 31 October 2008. The Group has participated fully in the market study process and will continue to do so.

US laws and regulations require compliance with US economic sanctions, administered by the Office of Foreign Assets Control, against designated foreign countries, nationals and others. HM Treasury regulations similarly require compliance with sanctions adopted by the UK government. The Group has been conducting an internal review of its conduct with respect to US dollar payments involving countries, persons and entities subject to these sanctions and has been reporting to governmental authorities about the results of that review. The Group received inquiries relating to these sanctions and certain US dollar payments processed by its New York branch from the New York County District Attorney's Office and the US Department of Justice, which along with other authorities, has been reported to be conducting investigations of sanctions compliance by non-US financial institutions. The Group has responded to those inquiries and is cooperating with the regulators, the Department of Justice and the District Attorney's Office in connection with their investigations of the Group's conduct with respect to sanctions compliance. The Group has also been keeping the FSA informed of the progress of these investigations and the Group's internal review. The Group's review is ongoing. It is currently not possible to predict the ultimate resolution of the issues covered by the Group's review and the investigations, including the timing and potential financial impact of any resolution, which could be substantial.

## **Directors**

The Directors of the Issuer and the Holding Company, each of whose business address is 1 Churchill Place, London E14 5HP, their functions in relation to the Group and their principal outside activities (if any) of significance to the Group are as follows:

<i>Name</i>	<i>Function(s) within the Group</i>	<i>Principal outside activities</i>
Marcus Agius	Chairman	Non-Executive Director, British Broadcasting Corporation
John Varley	Group Chief Executive	Non-Executive Director, AstraZeneca PLC
Chris Lucas	Group Finance Director	—
Robert E Diamond Jr	President, Barclays PLC, Chief Executive, Investment Banking and Investment Management	Chairman, Old Vic Productions PLC
Frederik (Frits) Seegers	Chief Executive, Global Retail and Commercial Banking	—
Sir Nigel Rudd DL	Deputy Chairman, Non-Executive Director	Chairman, Pendragon PLC, Non-Executive Director, BAE Systems plc, Chairman, BAA Limited
Sir Richard Broadbent	Senior Independent Director and Non-Executive Director	Chairman, Arriva plc
David Booth	Non-Executive Director	East Ferry Investors LLC



<i>Name</i>	<i>Function(s) within the Group</i>	<i>Principal outside activities</i>
Leigh Clifford	Non-Executive Director	Chairman, Qantas Airways Limited
Fulvio Conti	Non-Executive Director	Chief Executive Officer, Enel SpA, Director, AON Corporation
Professor Dame Sandra Dawson	Non-Executive Director	KPMG Professor of Management Studies at the University of Cambridge
Sir Andrew Likierman	Non-Executive Director	Professor of Management Practice in Accounting, London Business School, Non-Executive Director, Bank of England
Sir Michael Rake	Non-Executive Director	Chairman, BT Group PLC, Director, McGraw-Hill Companies, Director, Financial Reporting Council
Stephen Russell	Non-Executive Director	Non-Executive Director, Network Rail Limited
Sir John Sunderland	Non-Executive Director	Director, Financial Reporting Council
Patience Wheatcroft	Non-Executive Director	Non-Executive Director, Shaftesbury PLC

No potential conflicts of interest exist between any duties to the Issuer or the Holding Company of the Board of Directors listed above and their private interests or other duties.

### **Employees**

The average number of persons employed by the Group worldwide during 2007, excluding agency staff, was 128,900 (2006: 118,600).

## **DESCRIPTION OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION AND THE ORDINARY SHARES OF THE HOLDING COMPANY**

The following is a summary of the Memorandum of Association and Articles of Association of the Holding Company, which are available for inspection as set out below in paragraph 7 of "*General Information*". The Articles of Association of the Holding Company (the "**Articles**") were adopted at the Annual General Meeting of the Holding Company on 24 April 2008. A reference to an "**Ordinary Share**" in this section shall be a reference to a Share.

### **Memorandum of Association**

The objects of the Holding Company are set out in full in clause 4 of the Memorandum of Association of the Holding Company which provides, among other things, that the Holding Company's objects are to carry on business as an investment and holding company and the business of banking in all its aspects.

### **The Articles**

#### *Directors*

- (i) The minimum number of Directors (excluding alternate Directors) is five. There is no maximum limit. There is no age limit for Directors.
- (ii) Excluding executive remuneration and any other entitlement to remuneration for extra services (including service on board committees) under the Articles, a Director is entitled to a fee at a rate determined by the Board but the aggregate fees paid to all Directors shall not exceed £1,000,000 per annum or such higher amount as may be approved by an ordinary resolution of the Holding Company. Each Director is entitled to reimbursement for all travelling, hotel and other expenses properly incurred by him/her in or about the performance of his/her duties.
- (iii) No Director may act (either himself/herself or through his/her firm) as an auditor of the Holding Company. A Director may hold any other office of the Holding Company on such terms as the Board shall determine.
- (iv) At each annual general meeting ("**AGM**") of the Holding Company, one third of the Directors (rounded down) are required to retire from office by rotation and may offer themselves for re-election. The Directors so retiring are those who have been longest in office (and in the case of equality of service length are selected by lot). Other than a retiring Director, no person shall (unless recommended by the board of directors of the Holding Company (the "**Board**")) be eligible for election unless a member notifies the Company Secretary of the Holding Company in advance of his/her intention to propose a person for election.
- (v) The Board has the power to appoint additional Directors or to fill a casual vacancy amongst the Directors. Any Director so appointed holds office until the next AGM, when he/she may offer himself/herself for re-election. He/she is not taken into account in determining the number of directors retiring by rotation.
- (vi) The Board may appoint any Director to any executive position or employment in the Holding Company on such terms as they determine.
- (vii) A Director may appoint either another Director or some other person approved by the Board to act as his/her alternate with power to attend Board meetings and generally to exercise the

functions of the appointing Director in his/her absence (other than the power to appoint an alternate).

- (viii) Since 1 October 2008, the Board may authorise any matter in relation to which a Director has, or can have, a direct interest that conflicts, or possibly may conflict with, the Holding Company's interests. Only Directors who have no interest in the matter being considered will be able to authorise the relevant matter and they may impose limits or conditions when giving authorisation if they think this is appropriate.
- (ix) A Director may hold positions with or be interested in other companies and, subject to legislation applicable to the Holding Company and the FSA's requirements, may contract with the Holding Company or any other company in which the Holding Company is interested. A Director may not vote or count towards the quorum on any resolution concerning any proposal in which he/she (or any person connected with him/her) has a material interest (other than by virtue of his/her interest in securities of the Holding Company) or if he/she has a duty which conflicts or may conflict with the interests of the Holding Company, unless the resolution relates to any proposal:
  - (a) to indemnify a Director or provide him/her with a guarantee or security in respect of money lent by him/her to, or any obligation incurred by him/her or any other person for the benefit of (or at the request of), the Holding Company (or any other member of the Group);
  - (b) to indemnify or give security or a guarantee to a third party in respect of a debt or obligation of the Holding Company (or any other member of the Group) for which the Director has personally assumed responsibility;
  - (c) to obtain insurance for the benefit of directors;
  - (d) involving the acquisition by a Director of any securities of the Holding Company pursuant to an offer to existing holders of securities or to the public;
  - (e) that the Director underwrite any issue of securities of the Holding Company (or any of its subsidiaries);
  - (f) concerning any other company in which the Director or any person connected with him is interested as an officer or creditor or shareholder but, broadly, only if he/she (together with his/her connected persons) is directly or indirectly interested in less than one per cent. of either any class of the issued equity share capital or of the voting rights of that company; and
  - (g) concerning any other arrangement for the benefit of employees of the Holding Company (or any other member of the Group) (including any pension fund or retirement, death or disability benefits scheme or any employees' share scheme) which does not give the Director any advantage which the employees to whom the arrangement relates would not receive.
- (x) A Director may not vote or be counted in the quorum on any resolution which concerns his/her own employment or appointment to any office of the Holding Company or any other company in which the Holding Company is interested.

- (xi) Subject to applicable legislation, the provisions described in sub-paragraphs (ix) and (x) above may be relaxed or suspended by an ordinary resolution of the members of the Holding Company or any applicable governmental or other regulatory body.
- (xii) A Director is required to hold an interest in Ordinary Shares having a nominal value of at least £500, which currently equates to 2,000 Ordinary Shares unless restricted from acquiring or holding such interest by any applicable law or regulation or any applicable governmental or other regulatory body. A Director may act before acquiring those shares but must acquire the qualification shares within two months from his/her or her appointment. Where a Director is unable to acquire the requisite number of shares within that time owing to law, regulation or requirement of any governmental or other relevant authority, he/she must acquire the shares as soon as reasonably practicable once the restriction(s) end.
- (xiii) The Board may exercise all of the powers of the Holding Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities.

### **Classes of Share**

The Holding Company only has Ordinary Shares in issue and the nominal value of each Ordinary Share is 25 pence. However, the Holding Company has authorised but unissued preference shares of £100, U.S.\$100, U.S.\$0.25, €100 and ¥10,000 each (together, the "**Preference Shares**") which may be issued by the Board from time to time in one or more series with such rights and subject to such restrictions and limitations as the Board may determine. The Holding Company also has authorised but unissued staff shares of £1 each.

The rights of the Ordinary Shares are set out in the Articles, which are governed by English law. The Articles contain (amongst others) provisions to the following effect:

#### **(i) Dividends**

Subject to the provisions of the Articles and applicable legislation, the Holding Company in general meeting may declare dividends on the Ordinary Shares by ordinary resolution, but such dividend may not exceed the amount recommended by the Board. The Board may also pay interim or final dividends if it appears they are justified by the Holding Company's financial position.

Each Preference Share confers the right to a non-cumulative preferential dividend ("**Preference Dividend**") payable in such currency at such rates (whether fixed or calculated by reference to or in accordance with a specified procedure or mechanism), on such dates and on such other terms as may be determined by the Board prior to allotment thereof.

The Preference Shares rank in regard to payment of dividend in priority to the holders of Ordinary Shares and any other class of shares in the Holding Company ranking junior to the Preference Shares.

Dividends may be paid on the Preference Shares if, in the opinion of the Board, the Holding Company has sufficient distributable profits, after payment in full or the setting aside of a sum to provide for all dividends payable on (or in the case of shares carrying a cumulative right to dividends, before) the relevant dividend payment date on any class of shares in of the Holding Company ranking *pari passu* with or in priority to the relevant series of Preference Shares as regards participation in the profits of the Holding Company.

If the Board considers that the distributable profits of the Holding Company available for distribution are insufficient to cover the payment in full of Preference Dividends, Preference Dividends shall be paid to the extent of the distributable profits on a *pro rata* basis.

Notwithstanding the above, the Board may, at its absolute discretion, determine that any Preference Dividend which would otherwise be payable may either not be payable at all or only payable in part.

If any Preference Dividend on a series of Preference Shares is not paid, or is only paid in part, for the reasons described above, holders of Preference Shares will not have a claim in respect of such nonpayment.

If any dividend on a series of Preference Shares is not paid in full on the relevant dividend payment date, a dividend restriction shall apply. The dividend restriction means that, subject to certain exceptions, neither the Holding Company nor the Issuer may (a) pay a dividend on, or (b) redeem, purchase, reduce or otherwise acquire, any of their respective ordinary shares, other preference shares or other share capital ranking equal or junior to the relevant series of Preference Shares until the earlier of such time as the Holding Company next pays in full a dividend on the relevant series of Preference Shares or the date on which all of the relevant series of Preference Shares are redeemed.

All unclaimed dividends payable in respect of any share may be invested or otherwise made use of by the Board for the benefit of the Holding Company until claimed. If a dividend is not claimed after 12 years of it becoming payable, it is forfeited and reverts to the Holding Company.

The Board may (although it currently does not), with the approval of an ordinary resolution of the Holding Company, offer shareholders the right to choose to receive an allotment of additional fully paid Ordinary Shares instead of cash in respect of all or part of any dividend.

(ii) *Voting*

Every member who is present in person or by proxy, or represented at any general meeting of the Holding Company and who is entitled to vote has one vote on a show of hands. On a poll, every member who is present in person or by proxy or who (being a corporation) is represented has one vote for every share held. Any joint holder may vote at any general meeting of the Holding Company at which he is entitled to vote in respect of jointly owned shares, but the vote of the senior holder (as determined by order in the share register) shall take precedence. If any sum payable remains unpaid in relation to a member's shareholding, that member is not entitled to vote that share or exercise any other right in relation to a meeting of the Holding Company unless the Board otherwise determine.

If any member, or any other person appearing to be interested in any shares in the Holding Company, is served with a notice under Section 793 of the Companies Act 2006 and does not supply the Holding Company with the information required in the notice, then the Board, in its absolute discretion, may direct that that member shall not be entitled to attend or vote at any meeting of the Holding Company.

The Board may further direct that if the shares of the defaulting member represent 0.25 per cent. or more of the issued shares of the relevant class, that dividends or other monies payable on those shares shall be retained by the Holding Company until the direction ceases to have effect and that no transfer of those shares shall be registered (other than certain specified "approved transfers"). A direction ceases to have effect seven days after the Holding Company has received the information requested, or when the Holding Company is notified that an "approved transfer" to a third party has occurred, or as the Board otherwise determines.

(iii) *Form and Transfers*

Ordinary Shares may be held in either certificated or uncertificated form.

Certificated Ordinary Shares shall be transferred in writing in any usual or other form approved by the Board and executed by or on behalf of the transferor. Transfers of uncertificated Ordinary Shares shall be made in accordance with the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/378), as amended (the "**Crest Regulations**"). The Board may make any arrangements to regulate and evidence the transfer of Ordinary Shares as they consider fit in accordance with applicable legislation and the rules of the FSA.

Registration of Ordinary Shares may be suspended, subject to applicable legislation, for such periods as the Board may determine (but for not more than 30 days in any calendar year). The Board is not bound to register a transfer of partly paid Ordinary Shares, nor is it bound to register a transfer of fully paid Ordinary Shares in exceptional circumstances approved by the FSA. The Board may also decline to register an instrument of transfer of certificated Ordinary Shares unless it is duly stamped and deposited at the prescribed place and accompanied by the share certificate(s) and such other evidence as reasonably required by the Board to evidence right to transfer, it is in respect of one class of shares only, and it is in favour of not more than four transferees (except in the case of executors or trustees of a member).

Preference Shares may be represented by share warrants to bearer or be in registered form. Preference Shares represented by share warrants to bearer are transferred by delivery of the relevant warrant. Preference Shares in registered form shall be transferred in writing in any usual or other form approved by the Board and executed by or on behalf of the transferor. The Holding Company's registrar shall register such transfers of Preference Shares in registered form by making the appropriate entries in the register of Preference Shares.

(iv) *Return of Capital and Liquidation*

In the event of any return of capital by reduction of capital or on liquidation, the holders of Ordinary Shares are entitled to receive such capital in proportion to the amounts paid up or credited as paid up on the shares of each class.

Each Preference Share shall confer, in the event of a winding up or any return of capital by reduction of capital (other than, unless otherwise provided by their terms of issue, a redemption or purchase by the Holding Company of any of its issued shares, or a reduction of share capital), the right to receive out of the surplus assets of the Holding Company available for distribution amongst the members and in priority to the holders of the Ordinary Shares and any other shares in the Holding Company ranking junior to the relevant series of Preference Shares and *pari passu* with any other class of Preference Shares, repayment of the amount paid up or treated as paid up in respect of the nominal value of the Preference Share together with any premium which was paid or treated as paid when the Preference Share was issued in addition to an amount equal to accrued and unpaid dividends.

(v) *Redemption and Purchase*

Subject to applicable legislation and the rights of the other shareholders, any share may be issued on terms that it is, at the option of the Holding Company or the holder of such share, redeemable. While the Holding Company currently has no redeemable shares in issue, any series of Preference Shares issued in the future will be redeemable, in whole or in part, at the option of the Holding Company on a date not less than five years after the date on which such series of Preference Shares was first issued.

The Holding Company may purchase its own shares subject to the provisions of applicable legislation, the Articles and the approval of any class of convertible shares in issue (by special resolution or written consent of 75 per cent. of such class).

(vi) *Calls on capital*

The Directors may make calls upon the members in respect of any monies unpaid on their shares. A person upon whom a call is made remains liable even if the shares in respect of which the call is made have been transferred. Interest will be chargeable on any unpaid amount called at a rate determined by the Board (of not more than 20 per cent.).

If a member fails to pay any call in full (following notice from the Board that such failure will result in forfeiture of the relevant shares), such shares (including any dividends declared but not paid) may be forfeited by a resolution of the Board, and will become the property of the Holding Company. Forfeiture shall not absolve a previous member for amounts payable by him/her (which may continue to accrue interest).

The Holding Company also has a lien over all partly paid shares of the Holding Company for all monies payable or called on that share and over the debts and liabilities of a member to the Holding Company. If any monies which are the subject of the lien remain unpaid after a notice from the Board demanding payment, the Holding Company may sell such shares.

(vii) *Variation of Rights*

If the capital of the Holding Company is divided into shares of different classes, the rights attached to any class of shares may be varied with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

The rights of shares shall not (unless expressly provided by the rights attached to such shares) be deemed varied by the creation of further shares ranking equally with them.

**Annual and general meetings**

The Holding Company is required to hold an annual general meeting in addition to such other general meetings as the Directors think fit. The type of the meeting will be specified in the notice calling it. Not more than 15 months may elapse between the date of one annual general meeting and the next. A general meeting may be convened by the Holding Company shareholders on requisition in accordance with the applicable legislation.

In the case of an annual general meeting at least 21 clear days' notice is required. In other cases at least 14 clear days' notice is required. The notice must be in writing and must specify the place, the day and the hour of the meeting, and the general nature of the business to be transacted. A notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as such. The accidental failure to give notice of a general meeting or to send, supply or make available any document or information relating to the meeting, or the non-receipt of any such notice, document or information will not invalidate the proceedings at that meeting or an adjournment.

Subject as noted above, all shareholders are entitled to attend and vote at general meetings. The Articles do, however, provide that arrangements may be made for simultaneous attendance at a general meeting at a place other than that specified in the notice of meeting, in which case shareholders may be excluded from the specified place.

Holders of Preference Shares have no right to receive notice of, attend or vote at, any general meetings of the Holding Company as a result of holding Preference Shares.

#### **Limitations on foreign shareholders**

There are no restrictions imposed by the Holding Company's memorandum of association or Articles or by current UK laws, which relate only to non-residents of the UK, and which limit the rights of such non-residents to hold or (when entitled to do so) vote Ordinary Shares. Economic sanctions in force from time to time may limit the right of non-residents of the UK to hold or (when entitled to do so) vote Ordinary Shares.

#### **Notices**

A document or information may be sent by the Holding Company in hard copy form, electronic form, by being made available on a website, or by another means agreed with the recipient. A document or information may only be sent in electronic form to a person who has agreed to receive it in that form or, in the case of a company, which has been deemed to have so agreed pursuant to applicable legislation. A document or information may only be sent by being made available on a website if the recipient has agreed to receive it in that form or has been deemed to have so agreed pursuant to applicable legislation, and has not revoked that agreement.

In respect of joint holdings, documents or information shall be sent to the joint holder whose name stands first in the register.

A member who (having no registered address within the UK) has not supplied an address in the UK at which documents or information may be sent is not entitled to have documents or information sent to him/her.

#### **Alteration of share capital**

The Holding Company may, by way of ordinary resolution:

- (i) increase its share capital by a sum to be divided into shares of an amount prescribed by the resolution;
- (ii) consolidate and divide all or any of its share capital into shares of a larger nominal amount;
- (iii) subject to legislation, sub-divide all or part of its shares into shares of a smaller nominal amount and may decide by that resolution that the resulting shares have preference or other advantage or restrictions; and
- (iv) cancel any shares which, at the date of the resolution, have not been subscribed or agreed to have been subscribed for and diminish the amount of its share capital by the amount of the shares so cancelled.

The Holding Company may also, by special resolution, reduce its share capital or capital redemption reserve or any share premium account or other undistributable reserve in any manner authorised by legislation.

The Holding Company may, by ordinary resolution, upon the recommendation of the Board, capitalise all or any part of an amount standing to the credit of a reserve or fund provided that amounts from the share premium account, capital redemption reserve or any profits not available for distribution should



be applied only in paying up unissued shares issued to members and no unrealised profits shall be applied in paying up debentures of the Holding Company or any amount unpaid on any share in the capital of the Holding Company.

**Indemnity**

Subject to applicable legislation, every current and former Director or other officer of the Holding Company (other than any person engaged by the Holding Company as auditor) shall be indemnified by the Holding Company against any liability in relation to the Holding Company, other than (broadly) any liability to the Holding Company or a member of the Group, or any criminal or regulatory fine.

## INTERIM MANAGEMENT STATEMENT

Paragraphs 1 and 2 below set out the full text of the (unaudited) Interim Management Statement released by the Holding Company on 31 October 2008<sup>1</sup>.

### 1. SUMMARY

#### *Group Performance*

Group profit before tax for the nine months ended 30 September 2008 was slightly ahead of 2007. Income growth was strong, and costs grew broadly in line with the rate of income growth. Impairment charges grew at a similar rate to the first half of the year. Third quarter 2008 results included a preliminary estimate of the net benefits arising on the acquisition of Lehman Brothers North American investment banking and capital markets businesses; and net losses from credit market writedowns of £129m, comprising writedowns of £1.2bn offset by £1.1bn gains on the fair valuation of issued notes.

#### *Business Commentary*

##### *Global Retail and Commercial Banking*

Profit before tax in Global Retail and Commercial Banking was ahead of 2007. Strong income growth reflected good progress in the UK businesses, and continued expansion outside the UK. The rate of cost growth was broadly in line with the rate of income growth. Impairment charges grew at a faster pace than in the first half, driven by both strong asset growth, and deteriorating macroeconomic factors.

There was good growth in profit before tax at UK Retail Banking. Solid income growth reflected good performances in Current Accounts, Savings and Local Business as customer deposits increased. Operating expenses were well controlled and remained in line with last year. Barclays share of net new mortgages in the third quarter was 32%. Impairment charges were broadly in line with the first half.

Barclays Commercial Bank saw good growth in income. There was a moderate decline in profit before tax resulting from higher costs and impairment. Cost growth reflected investment in people and infrastructure, lower property credits and higher operating lease depreciation. Higher impairment charges were driven by a more challenging UK corporate credit outlook.

There was very strong growth in profit before tax at Barclaycard. Very strong income growth reflected progress in Barclaycard US and the inclusion of Goldfish in the UK. Cost growth was broadly in line with income growth. Impairment charges grew at a faster rate than the first half reflecting Barclaycard US book growth, the inclusion of Goldfish and the deteriorating retail environment in the US and South Africa.

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<sup>1</sup> Key trends in the income statement set out above, unless stated otherwise, relate to the nine months to 30 September 2008, and are compared to the corresponding nine months of 2007. Balance sheet references relate to 30 September 2008 and are compared to the balance sheet as at 31 December 2007.

Trends in income are expressed after the deduction of net claims and benefits on insurance contracts.

This financial information on which this interim management statement is based, and the credit market exposures set out in Paragraph 2, have been prepared in accordance with Barclays previously stated accounting policies, and apply the valuation methodologies described in the Interim Results published on 7 August 2008.

Global Retail and Commercial Banking - Western Europe income and cost growth rates were consistent with the trends in the first half of the year, with very strong income growth and significant investment in the expansion of the franchise. Profit before tax declined as a result of higher impairment charges, principally in Spain.

Income, cost and impairment growth trends at Global Retail and Commercial Banking - Emerging Markets were consistent with the first half resulting in lower profit before tax. This reflected very strong income growth and continued investment in distribution points and infrastructure across all regions, and expansion into new markets. Impairment growth was driven by rapid growth in assets and some deterioration in retail and corporate lending books.

Global Retail and Commercial Banking - Absa profit before tax remained broadly in line with last year despite challenging market conditions and the depreciation of the Rand. Good income growth and well-controlled costs were broadly offset by increased retail impairment.

#### *Investment Banking and Investment Management*

Barclays Capital profit before tax was well ahead of last year. The underlying business recorded strong growth in interest rate products, emerging markets, commodities, prime services and private equity. The third quarter results also included the following specific items: a preliminary estimate of the net benefits arising on the acquisition of the Lehman Brothers businesses; and net losses from credit market writedowns of £129m, comprising writedowns of £1.2bn offset by £1.1bn gains on the fair valuation of issued notes. Excluding these specific items, net income for the nine months to end of September was well ahead of last year. Exposures related to the credit market dislocation continue to be actively managed and are set out in the Appendix to this statement, including the impact of relevant Lehman Brothers assets acquired.

Barclays Global Investors income was broadly in line with last year. Cost growth reflected a small increase in support for selected liquidity products leading to a rate of decrease in profit before tax consistent with the first half of the year. Assets under management reduced relative to the level of 30 June 2008 as the impact of asset inflows, particularly in ETFs, was more than offset by the lower equity market valuations.

Barclays Wealth profit before tax was in line with the prior year. Solid income growth reflected higher net interest income resulting from increased customer deposits and loans. Solid net client inflows were more than offset by the impact of the falling equity market. Costs remained broadly stable. The sale of the closed life assurance book is due to complete in Q4 2008.

#### *Head Office Functions and Other Operations*

The loss before tax in Head Office and Other Operations increased reflecting higher debt service costs, fees for equity raising, and increased costs related to an internal review of compliance with US economic sanctions.

#### *October Trading*

October trading has been generally consistent with the trends reported in this statement, although capital market volumes have been lower than in September. The integration of Lehman Brothers has progressed well. Credit spreads narrowed substantially leading to a reversal of £1bn gains on the fair valuation of issued notes. On 20 October 2008 Global Retail and Commercial Banking also received a distribution from the Visa IPO amounting to approximately £190m.

## Capital

Excluding the impact of the capital raisings announced today, we expect our Tier 1 capital and equity Tier 1 ratios at 31 December 2008 to be broadly in line with the 30 June 2008 pro-forma ratios of 9.1% and 6.3% respectively.

## 2. CREDIT MARKET EXPOSURES

Barclays Capital's credit market exposures resulted in net losses of £2,108m in the first nine months of 2008, due to continuing dislocation in the credit markets. The net losses, which included £1,560m in impairment charges, comprised: £1,345m against ABS CDO Super Senior exposures; and £2,714m against other credit market exposures; partially offset by gains of £ 1,951m from the general widening of credit spreads on issued notes measured at fair value through the profit and loss account.

Exposures have been actively managed in the third quarter of 2008. This is reflected in movements in exposures set out below, which have also been impacted by a 12% appreciation of the US dollar against sterling since 30 June 2008 and the inclusion of £1.0bn of securities from the acquisition of Lehman Brothers North American investment banking and capital markets businesses.

	Notes	Pro-forma <sup>(1)</sup>		Net
		As at	As at	Exposures
		30.09.08	30.06.08	As at
		£m	£m	31.12.07
<b>ABS CDO Super Senior .....</b>	<b>A</b>	<b>3,086</b>	<b>3,229</b>	<b>4,671</b>
<b>Other US sub-prime .....</b>				
- Other US sub-prime .....		3,063	3,258	5,037
- Whole loan sales post period end .....		-	(828)	-
<b>Net Other US sub-prime .....</b>	<b>B</b>	<b>3,063</b>	<b>2,430</b>	<b>5,037</b>
Alt-A .....	C	3,719	3,510	4,916
Monoline insurers .....	D	3,558	2,584	1,335
SIVs and SIV-Lites .....	E	1,066	429	784
Commercial mortgages .....	F	11,520	10,988	12,399
<b>Leveraged finance .....</b>				
- Net lending and commitments .....		7,539	7,326	7,368
- Contingent repayment .....		(2,506)	(2,306)	-
<b>Net leveraged finance .....</b>	<b>G</b>	<b>5,033</b>	<b>5,020</b>	<b>7,368</b>

Notes:

<sup>(1)</sup> The above table includes net exposures as at 30 September 2008 less reductions totalling £2,506m (30 June 2008 £3,134m) that are expected to complete in the final quarter of 2008.

### (i) ABS CDO Super Senior

Net ABS CDO Super Senior exposures were £3,086m (30 June 2008: £3,229m). Net exposures are stated after write-downs and charges of £1,345m incurred in 2008 (30 June 2008: £875m) and hedges of £229m (30 June 2008: £204m).

ABS CDO Super Senior high grade exposure of £3,025m comprised liquidity facilities which were fully drawn and classified within loans and receivables. ABS CDO Super Senior mezzanine exposure of £290m (£61m net of hedges) comprised undrawn commitments. The marks applied to the notional collateral are set out in the table below:

Mix of ABS Super Senior Notional Collateral	As at 30.09.08			As at 30.06.08		
	High					
	Grade £m	Mezzanine £m	Total £m	Marks <sup>1</sup> %	Total £m	Marks <sup>1</sup> %
2005 and earlier.....	1,038	384	1,422	71%	1,306	76%
2006 .....	644	34	678	19%	607	30%
2007 and 2008.....	20	37	57	45%	51	49%
<b>Sub-prime .....</b>	<b>1,702</b>	<b>455</b>	<b>2,157</b>	<b>54%</b>	<b>1,964</b>	<b>61%</b>
2005 and earlier.....	753	66	819	77%	740	83%
2006 .....	512	41	553	57%	502	78%
2007 and 2008.....	51	8	59	39%	53	56%
<b>Alt-A .....</b>	<b>1,316</b>	<b>115</b>	<b>1,431</b>	<b>68%</b>	<b>1,295</b>	<b>80%</b>
Prime .....	645	82	727	87%	657	98%
RMBS CDO .....	332	56	388	0%	368	0%
Sub-prime second lien .....	115	-	115	0%	118	0%
<b>Total RMBS .....</b>	<b>4,110</b>	<b>708</b>	<b>4,818</b>	<b>57%</b>	<b>4,402</b>	<b>65%</b>
CMBS .....	135	126	261	65%	234	87%
Non-RMBS CDO .....	468	17	485	47%	441	54%
CLOs .....	29	20	49	79%	44	76%
Other ABS <sup>2</sup> .....	109	19	128	90%	110	100%
<b>Total other ABS<sup>2</sup> .....</b>	<b>741</b>	<b>182</b>	<b>923</b>	<b>60%</b>	<b>829</b>	<b>69%</b>
<b>Total notional collateral.....</b>	<b>4,851</b>	<b>890</b>	<b>5,741</b>	<b>58%</b>	<b>5,231</b>	<b>66%</b>
Subordination.....	(479)	(357)	(836)		(755)	
<b>Gross exposure pre impairment .....</b>	<b>4,372</b>	<b>533</b>	<b>4,905</b>		<b>4,476</b>	
Impairment .....	(1,347)	(243)	(1,590)		(1,043)	
Hedges .....	—	(229)	(229)		(204)	
<b>Net exposure.....</b>	<b>3,025</b>	<b>61</b>	<b>3,086</b>		<b>3,229</b>	
<b>Collateral marks including liquidated structures.....</b>				<b>38%</b>		<b>44%</b>

Notes:

1 Marks above reflect the gross exposure after impairment and subordination and do not include the benefit of hedges.

2 30 June 2008 marks have been restated.

ABS CDO Super Senior high grade and mezzanine exposure as at 31 December 2007 included exposures which contained or comprised a derivative at inception. These derivative exposures, which were measured at fair value through profit and loss, were liquidated or consolidated in 2008. The notional collateral of ABS CDOs liquidated or consolidated in 2008 was £4.8bn.

Collateral and hedges related to liquidated and consolidated exposures remaining at 30 September 2008 are stated at fair value net of hedges within 'Other US sub-prime' exposures below. The valuation for such collateral at 30 September 2008 is approximately 14% (30 June 2008: 17%). The collateral valuation for all ABS CDO Super Senior deals, including those liquidated and consolidated in 2008, was approximately 38% (30 June 2008: 44%).

Hedges of £229m (30 June 2008: £204m) comprise trades in the liquid index swap market with market counterparties. The counterparty exposure is managed through a standard derivative collateralisation process. None of the hedge counterparties are monoline insurers.

The collateral for the outstanding ABS CDO Super Senior exposures primarily comprises residential mortgage backed securities (RMBS). Within this the majority of the sub-prime and Alt-A collateral was originated in 2005 or earlier with minimal exposure to 2007 or later. The vintages of the sub-prime, Alt-A and US RMBS collateral are set out in the table below.

<b>Sub-prime Collateral by Vintage</b>	<b>As at 30.09.08</b>	<b>As at 30.06.08</b>	<b>As at 31.12.07</b>
2005 and earlier .....	66%	66%	54%
2006 .....	31%	31%	40%
2007 and 2008 .....	3%	3%	6%
<b>Alt-A Collateral by Vintage .....</b>			
2005 and earlier .....	57%	57%	49%
2006 .....	39%	39%	40%
2007 and 2008 .....	4%	4%	11%
<b>US RMBS Collateral by Vintage .....</b>			
2005 and earlier .....	58%	58%	52%
2006 .....	39%	39%	41%
2007 and 2008 .....	3%	3%	7%

RMBS collateral for the ABS CDO Super Senior exposures is subject to public ratings. The ratings of sub-prime, Alt-A and total RMBS CDO collateral as at 30 September 2008 are set out in the table below.

<b>Sub-prime RMBS Ratings</b>	<b>High Grade</b>	<b>Mezzanine</b>	<b>Total</b>
AAA/AA .....	48%	4%	39%
A/BBB .....	16%	42%	22%
Non-investment Grade .....	36%	54%	39%
<b>Alt-A RMBS Ratings</b>	<b>High Grade</b>	<b>Mezzanine</b>	<b>Total</b>
AAA/AA .....	84%	39%	80%
A/BBB .....	6%	24%	8%
Non-investment Grade .....	10%	37%	12%
<b>Total RMBS Ratings</b>	<b>High Grade</b>	<b>Mezzanine</b>	<b>Total</b>
AAA/AA .....	64%	18%	55%
A/BBB .....	12%	35%	16%
Non-investment Grade .....	24%	47%	29%

(ii) **Other US Sub-Prime**

	As at 30.09.08	Pro- forma <sup>1</sup> 30.06.08	As at 31.12.07	Marks at 30.09.08	Marks at 30.06.08	Marks at 31.12.07
	£m	£m	£m			
Whole loans - performing .....	1,401	2,145	2,805	82 %	84 %	100 %
Whole loans - more than 60 days past due .....	245	272	372	44 %	50 %	65 %
<b>Total whole loans .....</b>	<b>1,646</b>	<b>2,417</b>	<b>3,177</b>	<b>72 %</b>	<b>78 %</b>	<b>94 %</b>
Sales post period end .....	-	(828)	-			
<b>Net exposure .....</b>	<b>1,646</b>	<b>1,589</b>	<b>3,177</b>	<b>72 %</b>	<b>78 %</b>	<b>94 %</b>
AAA securities .....	517	360	481	49 %	54 %	88 %
Other US sub-prime securities .....	412	418	525	12 %	34 %	61 %
<b>Total securities gross of hedges .....</b>	<b>929</b>	<b>778</b>	<b>1,006</b>	<b>21 %</b>	<b>42 %</b>	<b>71 %</b>
Hedges .....	(206)	(689)	(369)			
Securities net of hedges .....	723	89	637			
Residuals .....	0	30	233	0 %	3 %	24 %
Other exposures with underlying sub- prime collateral: .....						
- Derivatives .....	260	290	333	83 %	93 %	100 %
- Loans/other .....	338	347	600	75 %	80 %	100 %
- Real estate .....	96	85	57	49 %	53 %	68 %
<b>Total other direct and indirect exposure .....</b>	<b>1,417</b>	<b>841</b>	<b>1,860</b>			
<b>Total other US sub-prime .....</b>	<b>3,063</b>	<b>2,430</b>	<b>5,037</b>			

Notes:

<sup>1</sup> Pro-forma exposure represents net exposures as at 30 June 2008 less material sales agreed.

The majority of other US sub-prime exposures are measured at fair value through profit and loss.

Whole loans included £1,497m (30 June 2008: £2,279m) acquired on or originated since the acquisition of EquiFirst in March 2007. Of this balance £415m of new loans were originated in 2008. At 30 September 2008 the average loan to value at origination of all of the sub-prime whole loans was 80%.

In the nine months to 30 September 2008 there were net sales, pay-downs of collateral and movements in hedges and in US sub-prime collateral of liquidated and consolidated ABS CDO Super Senior structures of approximately £1,258m. This excludes the impact of assets acquired from Lehman Brothers.

Included above are senior AAA securities of £44m (30 June 2008: £44m) held by consolidated conduits on which a mark to market loss of £16m has been recognised in equity in the nine months to 30 September 2008. This is expected to reverse over time. The securities have protection provided by subordination of 16%.

Exposure is stated net of hedges traded in the liquid index swap market with market counterparties. The counterparty exposure is managed through a standard derivative collateralisation process and none of the hedge counterparties are monoline insurers.

Other exposures with underlying sub-prime collateral include counterparty derivative exposures to vehicles which hold sub-prime collateral. The majority of this exposure is the most senior obligation of the vehicles.

The 30 September 2008 figures include assets acquired from Lehman Brothers of £92m in AAA securities and £108m in other US sub-prime securities.

(iii) **Alt-A**

Net exposure to the Alt-A market was £3,719m (30 June 2008: £3,510m), through a combination of whole loans, securities and residuals held on the balance sheet, including those held in consolidated conduits.

	As at 30.09.08	As at 30.06.08	As at 31.12.07	Marks at 30.09.08	Marks at 30.06.08	Marks at 31.12.07
	£m	£m	£m			
AAA securities.....	1,877	2,322	3,442	51%	69%	87%
Other Alt-A securities.....	814	149	208	7%	30%	75%
Whole Loans .....	680	716	909	73%	80%	97%
Residuals.....	11	13	25	31%	40%	66%
Other exposures with underlying Alt-A collateral: .....						
- Derivatives.....	202	184	221	100%	100%	100%
- Loans/other .....	135	126	111	73%	76%	97%
<b>Total.....</b>	<b>3,719</b>	<b>3,510</b>	<b>4,916</b>			

Alt-A securities, whole loans and residuals are measured at fair value through profit and loss. Alt-A securities held in conduits are categorised as available for sale.

Included above are senior securities currently rated AAA of £540m (30 June 2008: £598m) held by consolidated conduits on which a mark to market loss of £197m has been recognised in equity in the nine months to 30 September 2008. This is expected to reverse over time. The securities have protection provided by subordination of 23%.

At 30 September 2008, 89% of the Alt-A whole loan exposure was performing, and the average loan to value ratio at origination was 84%.

In the nine months to 30 September 2008 there were net sales, paydowns of collateral and movements in Alt-A collateral of liquidated and consolidated ABS CDO Super Senior structures of approximately £786m. This excludes the impact of assets acquired from Lehman Brothers.

Other exposures with underlying Alt-A collateral include counterparty derivative exposures to vehicles which hold Alt-A collateral. The majority of this exposure is the most senior obligation of the vehicle.

The 30 September 2008 figures include assets acquired from Lehman Brothers of £331m in AAA securities and £211m in other Alt-A securities.

(iv) **Monoline Insurers**

Assets are held with insurance protection or other credit enhancements from monoline insurers. Declines in fair value of the underlying assets are reflected in increases in the value of potential claims on monoline insurers. These are measured at fair value through profit and loss.

The net exposure to monoline insurers under these contracts increased to £3,558m by 30 September 2008 (30 June 2008: £2,584m) reflecting declines in fair value of the underlying asset on existing contracts. There have been no claims under these contracts as none of the underlying assets were in default at 30 September 2008.



At 30 September 2008, 67% of the underlying assets comprised collateralised loan obligations (CLOs), 10% US RMBS and 23% other collateral, primarily US CMBS. 94% of the underlying assets are rated AAA/AA at 30 September 2008.

As at 30.09.08					
Exposure by Credit Rating of Monoline Insurer	Fair Value of				
	Notional	Underlying Asset	Fair Value Exposure	Credit Reserve	Net Exposure
	£m	£m	£m	£m	£m
AAA/AA .....	11,615	9,991	1,624	(120)	1,504
A/BBB .....	5,840	3,949	1,891	(373)	1,518
Non-investment Grade .....	5,568	4,917	651	(115)	536
<b>Total .....</b>	<b>23,023</b>	<b>18,857</b>	<b>4,166</b>	<b>(608)</b>	<b>3,558</b>

As at 30.06.08					
Exposure by Credit Rating of Monoline Insurer	Fair Value of				
	Notional	Underlying Asset	Fair Value Exposure	Credit Reserve	Net Exposure
	£m	£m	£m	£m	£m
AAA/AA .....	10,738	9,587	1,151	(98)	1,053
A/BBB .....	5,592	4,193	1,399	(242)	1,157
Non-investment Grade .....	5,151	4,684	467	(93)	374
<b>Total .....</b>	<b>21,481</b>	<b>18,464</b>	<b>3,017</b>	<b>(433)</b>	<b>2,584</b>

As at 31.12.07					
Exposure by Credit Rating of Monoline Insurer	Fair Value of				
	Notional	Underlying Asset	Fair Value Exposure	Credit Reserve	Net Exposure
	£m	£m	£m	£m	£m
AAA/AA .....	21,573	20,179	1,394	(59)	1,335

The notional value of the assets wrapped with insurance protection are set out below, analysed by the current rating of the monoline. Of the US RMBS assets, 97% are protected by monolines with investment grade ratings as at 30 September 2008.

Rating of Monoline Insurer - As at 30.09.08				
Notional Assets Wrapped by Monoline Insurers	Non-investment grade			
	AAA/AA	A/BBB	grade	Total
	£m	£m	£m	£m
2005 and earlier .....	125	-	-	125
2006 .....	398	625	-	1,023
2007 and 2008 .....	-	417	-	417
<b>High Grade .....</b>	<b>523</b>	<b>1,042</b>	<b>-</b>	<b>1,565</b>
Mezzanine - 2005 and earlier .....	-	528	63	591
CDO2 - 2005 and earlier .....	41	-	-	41
<b>US RMBS .....</b>	<b>564</b>	<b>1,570</b>	<b>63</b>	<b>2,197</b>
CMBS .....	56	2,673	348	3,077
CLOs .....	9,634	864	4,909	15,407
Other .....	1,361	733	248	2,342
<b>Total .....</b>	<b>11,615</b>	<b>5,840</b>	<b>5,568</b>	<b>23,023</b>

Rating of Monoline Insurer - As at 30.06.08				
Notional Assets Wrapped by Monoline Insurers	AAA/AA	A/BBB	Non-investment grade	Total
	£m	£m	£m	£m
2005 and earlier .....	112	-	-	112
2006 .....	359	562	-	921
2007 and 2008 .....	-	374	-	374
<b>High Grade .....</b>	<b>471</b>	<b>936</b>	<b>-</b>	<b>1,407</b>
Mezzanine - 2005 and earlier .....	-	508	63	571
CDO2 - 2005 and earlier .....	38	-	-	38
<b>US RMBS .....</b>	<b>509</b>	<b>1,444</b>	<b>63</b>	<b>2,016</b>
CMBS .....	50	2,392	311	2,753
CLOs .....	8,801	1,050	4,555	14,406
Other .....	1,378	706	222	2,306
<b>Total .....</b>	<b>10,738</b>	<b>5,592</b>	<b>5,151</b>	<b>21,481</b>

(v) **SIVs/SV-Lites**

SIVs/SIC-lites	As at 30.09.08	As at 30.06.08	As at 31.12.07	Marks at 30.09.08	Marks at 30.06.08	Marks at 31.12.07
	£m	£m	£m	%	%	%
Liquidity facilities .....	611	176	466	66%	78%	100%
Bond inventory .....	9	35	52	8%	23%	37%
Derivatives .....	446	218	266	99%	98%	100%
<b>Total .....</b>	<b>1,066</b>	<b>429</b>	<b>784</b>			

At 30 September 2008 liquidity facilities of £611m (30 June 2008: £176m) include £482m designated at fair value through profit and loss relating to a SIV-lite which had previously been hedged with Lehman Brothers. Following the Lehman Brothers bankruptcy filing this facility has been reflected as a new exposure to the underlying assets. The remaining £129m represents drawn liquidity facilities in respect of SIV-lites and other structured investment vehicles classified as loans and receivables and are stated at cost less impairment.

Bond inventory and derivatives exposures are fair valued through profit and loss.

Movement in derivative exposure primarily relates to CDS exposure with financial institutions as reference entities. At 30 September 2008 exposure had increased to £446m (30 June 2008: £218m). The increase is driven by the widening of credit spreads against all financial institutions which occurred at the end of September 2008.

(vi) **Commercial Mortgages**

Exposures in Barclays Capital's commercial mortgages portfolio, all of which are measured at fair value, comprised commercial real estate exposure of £10,335m (30 June 2008: £10,354m) and commercial mortgage-backed securities (CMBS) of £1,185m (30 June 2008: £634m).

The commercial real estate loan exposure comprises 55% US, 42% Continental Europe and UK and 3% Asia. Of the total exposure 91% is tenanted; 6% relates to land or property under construction.

The US exposure includes two large facilities which comprise 43% of the total US exposure. These facilities have paid down approximately £768m in the first nine months of 2008. The remaining 57% of the US exposure comprises 76 facilities.

The UK and Continental European portfolio is well diversified with 76 facilities in place at 30 September 2008. In Europe protection is provided by loan covenants and annual LTV retests, which cover 90% of the portfolio. Of the Continental European exposure 61% relates to Germany. Exposure to the Spanish market represents less than 1% of total exposure at 30m September 2008.

At the start of the year exposure increased through additional drawdowns on facilities. Exposure subsequently declined following sales and pay downs of approximately £1.0bn in the UK and Continental Europe and £1.6bn in the US.

Commercial Mortgages	As at 30.09.08	As at 30.06.08	As at 31.12.07
	£m	£m	£m
Commercial real estate.....	10,335	10,354	11,103
Commercial mortgage-backed securities .....	1,185	634	1,296
<b>Total .....</b>	<b>11,520</b>	<b>10,988</b>	<b>12,399</b>

Commercial Real Estate Exposure by Region	As at 30.09.08	As at 30.06.08	As at 31.12.07	Marks at 30.09.08	Marks at 30.06.08	Marks at 31.12.07
	£m	£m	£m	%	%	%
US.....	5,675	5,558	5,947	95%	96%	99%
Germany .....	2,079	2,153	1,783	98%	98%	100%
Sweden .....	251	269	250	99%	100%	100%
France .....	229	226	289	97%	95%	100%
Switzerland .....	142	137	127	100%	98%	100%
Spain.....	91	92	89	96%	97%	100%
Other Continental Europe .....	629	656	779	99%	97%	100%
UK .....	894	925	1,422	95%	97%	100%
Asia .....	345	338	417	99%	99%	100%
<b>Total .....</b>	<b>10,335</b>	<b>10,354</b>	<b>11,103</b>			

Commercial Real Estate Exposure Metrics	WALTV <sup>1</sup>	WAM <sup>2</sup>	WALA <sup>3</sup>
US.....	71.2%	1.5 yrs	1.4 yrs
Continental Europe .....	79.8%	4.8 yrs	1.3 yrs
UK .....	73.1%	6.0 yrs	1.6 yrs
Asia .....	78.7%	5.9 yrs	1.1 yrs

#### Notes

- 1 Weighted-average loan-to-value based on the most recent valuation.
- 2 Weighted-average number of years to initial maturity.
- 3 Weighted-average loan age

Commercial Real Estate Exposure by Industry	As at 30.09.08				
	US	Continental Europe	UK	Asia	Total
	£m	£m	£m	£m	£m
Office .....	2,361	1,093	212	103	3,769
Residential .....	1,356	1,074	244	93	2,767
Retail .....	51	560	110	83	804
Hotels.....	857	396	35	19	1,307
Leisure .....	-	-	253	-	253
Land .....	149	-	-	-	149
Industrial .....	468	217	40	10	735

Mixed/Others .....	408	81	-	37	526
Hedges .....	25	-	-	-	25
<b>Total .....</b>	<b>5,675</b>	<b>3,421</b>	<b>894</b>	<b>345</b>	<b>10,335</b>

Commercial Securities (net of hedges)	As at 30.09.08	As at 30.06.08	Ass at 31.12.07	Marks at 30.09.08 <sup>(1)</sup>	Marks at 30.06.08 <sup>(1)</sup>	Marks at 31.12.07 <sup>(1)</sup>
	£m	£m	£m	%	%	%
AAA Securities .....	791	543	1,008			
Other Securities .....	394	91	288			
<b>Total .....</b>	<b>1,185</b>	<b>634</b>	<b>1,296</b>	<b>24%</b>	<b>68%</b>	<b>98%</b>

<sup>(1)</sup> Marks are based on gross collateral.

Exposure is stated net of hedges traded in the liquid swap market with market counterparties. The counterparty exposure is managed through a standard derivative collateralisation process and none of the hedge counterparties are monoline insurers.

The 30 September 2008 figures include assets acquired from Lehman Brothers of £31m in AAA securities and £190m in other securities.

#### (vii) Leveraged Finance

At 30 September 2008, the exposure relating to leveraged finance loans originated prior to 30 June 2007 was £9,489m (30 June 2008: £9,217m). This includes original targeted holds at commitment date of £1,781m (30 June 2008: £1,722m). Barclays Capital expects to hold these leveraged finance positions until redemption. Leveraged loans are classified within loans and receivables and are stated at amortised cost less impairment. The credit performance of the assets remains satisfactory.

	Pro-forma <sup>(1)</sup> 30.09.08	Pro-forma <sup>(1)</sup> 30.06.08	As at 31.12.07
	£m	£m	£m
<b>Leveraged Finance Exposure by Region</b>			
UK .....	4,733	4,436	4,401
US .....	3,197	2,961	3,037
Europe .....	1,356	1,609	1,568
Asia .....	203	211	211
<b>Total lending and commitments .....</b>	<b>9,489</b>	<b>9,217</b>	<b>9,217</b>
Original targeted hold .....	(1,781)	(1,722)	(1,659)
Unrecognised fees .....	(169)	(169)	(190)
<b>Net lending and commitments .....</b>	<b>7,539</b>	<b>7,326</b>	<b>7,368</b>
Contingent repayment .....	(2,506)	(2,306)	-
<b>Net exposure .....</b>	<b>5,033</b>	<b>5,020</b>	<b>7,368</b>

Notes:

- 1 Pro-forma represents exposures as at 30 September 2008 less leveraged finance loans of £2,506m that have become subject to an announced intention to be repaid at par. This transaction is contingent upon regulatory approvals and is likely to be completed in the fourth quarter of 2008.

Leveraged Finance Exposure by Industry	As at 30.09.08		
	Drawn	Undrawn	Total
	£m	£m	£m
Insurance .....	2,479	97	2,576
Telecoms .....	2,457	179	2,636
Retail .....	875	107	982
Healthcare.....	592	172	764
Media .....	536	103	639
Services .....	498	151	649
Manufacturing.....	409	80	489
Chemicals .....	272	35	307
Other.....	285	162	447
<b>Total.....</b>	<b>8,403</b>	<b>1,086</b>	<b>9,489</b>

Leveraged Finance Exposure by Industry	As at 30.06.08			As at 31.12.07		
	Drawn	Undrawn	Total	Drawn	Undrawn	Total
	£m	£m	£m	£m	£m	£m;
Insurance .....	2,389	147	2,536	2,456	78	2,534
Telecoms .....	2,192	222	2,414	2,259	240	2,499
Retail .....	834	142	976	828	132	960
Healthcare.....	604	159	763	577	141	718
Media .....	489	130	619	469	127	596
Services .....	487	172	659	388	134	522
Manufacturing.....	385	97	482	371	125	496
Chemicals .....	287	37	324	46	286	332
Other.....	211	233	444	233	327	560
<b>Total.....</b>	<b>7,878</b>	<b>1,339</b>	<b>9,217</b>	<b>7,627</b>	<b>1,590</b>	<b>9,217</b>

New leveraged finance commitments originated after 30 June 2007 comprised £636m (30 June 2008: £1,275m)

(viii) **Own Credit**

The carrying amount of issued notes that are designated under the IAS 39 fair value option is adjusted to reflect the effect of changes in own credit spreads. The resulting gain or loss is recognised in the income statement.

At 30 September 2008, the own credit adjustment arose from the fair valuation of £56.6bn of Barclays Capital structured notes (30 June 2008: £48.1bn). The widening of Barclays credit spreads affected the fair value of these notes and as a result revaluation gains of £1,951m were recognised in trading income in the first nine months of 2008. Of this, £852m was recognised in the first half of 2008.

In October 2008, credit spreads narrowed substantially leading to a reversal of £1bn gains on the fair valuation of issued notes.

## UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma financial information set out below has been prepared to illustrate the effects of the Capital Raising as if it had occurred on 30 June 2008. In addition, the unaudited pro forma financial information illustrates the pro forma effect of the Firm Placing and Placing and Open Offer and the September Placing, both of which occurred subsequent to 30 June 2008.

The unaudited pro forma financial information has been prepared for illustrative purposes only, and because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position, risk weighted assets or regulatory capital ratios following the Firm Placing and Placing and Open Offer, the September Placing and the Capital Raising.

The unaudited pro forma financial information presented in the table below has been prepared on a basis consistent with the accounting policies of the Holding Company.

	Adjustments					
				Capital Raising		
	Barclays PLC (Group)	Firm Placing and Placing and Open Offer	September Placing	RCIs and Warrants	Mandatorily Convertible Notes	Pro forma Barclays PLC (Group)
	(£ million)	(£ million)	(£ million)	(£ million)	(£ million)	(£ million)
Notes	2	3	4	5, 6	5, 6	7, 8
<b>Assets</b>						
Cash and other short-term funds .....	8,910	4,362	690	2,905	3,875	20,742
Trading portfolio and financial assets designated at fair value .....	303,811	-	-	-	-	303,811
Derivative financial instruments .....	400,009	-	-	-	-	400,009
Loans and advances to banks .....	54,514	-	-	-	-	54,514
Loans and advances to customers .....	395,467	-	-	-	-	395,467
Available for sale financial instruments .	42,765	-	-	-	-	42,765
Reverse repurchase agreements and cash collateral on securities borrowed .....	139,955	-	-	-	-	139,955
Other assets .....	20,223	-	-	-	-	20,223
Total assets .....	1,365,654	4,362	690	2,905	3,875	1,377,486
<b>Liabilities</b>						
Deposits and items in the course of collection due to banks .....	92,735	-	-	-	-	92,735
Customer accounts .....	319,281	-	-	-	-	319,281
Trading portfolio and financial liabilities designated at fair value .....	142,202	-	-	-	-	142,202
Liabilities to customers under investment contracts .....	80,949	-	-	-	-	80,949
Derivative financial instruments .....	396,357	-	-	-	-	396,357
Debt securities in issue .....	115,739	-	-	-	224	115,963
Repurchase agreements and cash collateral on securities lent .....	146,895	-	-	-	-	146,895
Insurance contract liabilities, including unit-linked liabilities .....	3,679	-	-	-	-	3,679
Subordinated liabilities .....	21,583	-	-	2,130	-	23,713
Other liabilities .....	13,412	-	-	-	-	13,412
Total liabilities .....	1,332,832	-	-	2,130	224	1,335,186
<b>Net Assets .....</b>	<b>32,822</b>	<b>4,362</b>	<b>690</b>	<b>775</b>	<b>3,651</b>	<b>42,300</b>

Notes:

- The unaudited pro forma regulatory capital ratios of the Group before and immediately after the Firm Placing and Placing and Open Offer, the September Placing and the Capital Raising as if they had occurred on 30 June 2008 on a Basel II basis, and assuming that the full conversion of the Notes had occurred on 30 June 2008, are set out below. No account has been taken of the impact of any future exercise of Warrants.

Notes	Adjustments					Pro forma Barclays PLC (Group)
	Barclays PLC (Group)	Firm Placing and Placing and Open Offer	September Placing	Capital Raising		
				RCIs and Warrants	Mandatorily Convertible Notes	
	(£ million)	(£ million)	(£ million)	(£ million)	(£ million)	(£ million)
	2	3, 11	4, 11	6, 9, 11	6, 9, 11	7, 8, 10
Risk Weighted Assets .....	352,739	0	0	0	0	352,739
Equity Tier 1 Ratio.....	5.0%	1.2%	0.2%	0.2%	1.0%	7.7%
Tier 1 Ratio .....	7.9%	1.2%	0.2%	0.8%	1.0%	11.1%
Risk Asset Ratio.....	12.6%	1.2%	0.2%	0.8%	1.0%	15.9%

Notes:

- The financial information for the Holding Company as at 30 June 2008 has been extracted without material adjustments from the unaudited Interim Results Announcement as at and for the six months ended 30 June 2008.
- The gross proceeds of the Firm Placing and Placing and Open Offer of £4,469m are shown net of issue costs of £107m. For more information on the Firm Placing and Placing and Open Offer, please refer to page 78 of this Prospectus.
- The gross proceeds of the September Placing of £701m are shown net of issue costs of £11m. For more information on the September Placing, please refer to page 78 of this Prospectus.
- For accounting purposes:
  - the proceeds of the RCIs, Warrants and Notes are apportioned based on available market data immediately prior to 31 October 2008 between their liability and equity components on the basis of their respective estimated fair values;
  - issue costs are assumed to have been paid on the issue date and treated as a deduction from the proceeds of the debt and equity components.

Therefore, in the pro forma net asset statement:

  - £2,130m of the net proceeds of the RCIs and Warrants of £2,905m (representing the £3,000m issuance, net of estimated issue costs of £95m) has been included in subordinated liabilities for the RCIs (with the remaining £775m relating to the fair value of the Warrants included in equity); and
  - £224m of the net proceeds of the Notes of £3,875m (representing the £4,050m issuance, net of estimated issue costs of £175m), has been included in debt securities in issue for the coupon payable on the Notes of £233m, net of associated costs of £9m (with the remaining £3,651m included in equity).

For more information on the Capital Raising, please refer to page 76 of this Prospectus.
- For clarification purposes, in the Capital Raising Announcement and the Chairman's Letter to Shareholders dated 7 November 2008, the RCI and Warrant proceeds were not apportioned between their liability and equity components but were treated as liabilities and all of the proceeds were included within innovative Tier 1 capital and a zero equity value was applied to the Warrants.
- No account has been taken of the trading results of the Group since 30 June 2008 or the payment of the interim dividend.
- No account has been taken of any acquisitions or disposals since 30 June 2008, including the impact of the acquisition of Lehman Brothers' North American investment banking and capital markets businesses.
- For the purpose of the calculation of the pro forma impact of the Capital Raising:
  - The net proceeds of the RCIs and Warrants (£2,905m) are included in the adjustment calculation of pro forma Tier 1 with the equity component (£775m) also included in the adjustment calculation of pro forma equity Tier 1.
  - The equity component (£3,651m) of the net proceeds of the Notes (£3,875m) is included in the adjustment calculation of each of the capital ratios assuming that full conversion of the Notes had occurred on 30 June 2008.
- Pro forma capital ratios do not necessarily sum across due to the effect of rounding.
- For the purpose of calculating Risk Weighted Assets, the information presented assumes that the proceeds of the Firm Placing and Placing and Open Offer, the September Placing and the Capital Raising are held at a 0% Risk Weighted Asset rating.

## UNITED KINGDOM TAXATION

The following is a summary of the United Kingdom (1) withholding taxation treatment at the date hereof in relation to payments of interest in respect of the Notes and payments of dividends on the Shares and (2) stamp duty and stamp duty reserve tax ("SDRT") position at the date hereof in relation to issues and transfers (in the circumstances described below) of the Notes and the Shares. The comments do not deal with any other United Kingdom tax aspects of acquiring, holding or disposing of Notes, or the Shares. The statements regarding United Kingdom tax set out below are based on United Kingdom tax laws in force as applied by the courts of England and Wales, and the practice of Her Majesty's Revenue and Customs ("HMRC"), in each case as at the date hereof and such laws and practice may be repealed, revoked, modified or re-interpreted, possibly with retrospective effect, so as to result in United Kingdom tax consequences different from those discussed below. The comments relate only to the position of persons who are absolute beneficial owners of the Notes and do not deal with special situations, such as those of dealers in securities or where the interest on the Notes is, for tax purposes, deemed to be income of any person other than the beneficial owners. The following is a general guide and should be treated with appropriate caution. Persons considering the purchase, ownership and disposition of the Notes should consult their own tax advisers concerning the United Kingdom tax consequences in light of their particular situations. No representations with respect to the tax consequences of any particular holder or beneficial owner of Notes are made. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

### A. *United Kingdom Withholding Tax*

#### *Payments of interest on the Notes*

Interest on the Notes may be paid without withholding or deduction for or on account of United Kingdom income tax on the basis that the Notes have a maturity date of less than one year from the date of issue and are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of a year or more.

#### *Payments of dividends on the Shares*

Payments of dividends by the Holding Company on the Shares may be made without deduction or withholding for or on account of United Kingdom tax.

### B. *Provision of Information*

Noteholders should note that where any interest on Notes is paid to them (or to any person acting on their behalf) by the Issuer or any person in the United Kingdom acting on behalf of the Issuer (a "**paying agent**"), or is received by any person in the United Kingdom acting on behalf of the relevant Noteholder (other than solely by clearing or arranging the clearing of a cheque) (a "**collecting agent**"), then the Issuer, the paying agent or the collecting agent (as the case may be) may, in certain cases, be required to supply to HMRC details of the payment and certain details relating to the Noteholder (including the Noteholder's name and address). These provisions will apply whether or not the interest has been paid subject to withholding or



deduction for or on account of United Kingdom income tax and whether or not the Noteholder is resident in the United Kingdom for United Kingdom taxation purposes. Where the Noteholder is not so resident, the details provided to HMRC may, in certain cases, be passed by HMRC to the tax authorities of the jurisdiction in which the Noteholder is resident for taxation purposes.

**C. *EU Savings Directive***

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

**D. *United Kingdom Stamp Duty and Stamp Duty Reserve Tax***

*Issue and Transfers of the Notes*

No United Kingdom stamp duty will be payable on the issue of the Notes. No United Kingdom stamp duty will be payable on any transfer of the Notes in electronic book entry form in accordance with the procedures of Euroclear or Clearstream, Luxembourg without the creation of any written instrument of transfer or any written agreement to transfer the Notes.

No SDRT will be payable on the issue of the Notes and, so long as the Notes and the Shares are and remain listed on a recognised stock exchange within the meaning of Section 1005 of the Income Tax Act 2007, no SDRT will be payable on any agreement to transfer Notes, provided such agreement is not made in contemplation of, or as part of an arrangement for, a takeover of the Issuer.

*Issue and Transfers of the Shares*

No United Kingdom stamp duty or SDRT will be payable on any issue of Shares by the Holding Company on conversion of the Notes other than an issue of Shares to issuers of depositary receipts or providers of clearance services (or their nominees or agents (see further below)).

Any document transferring a Share will be liable to ad valorem stamp duty, generally at the rate of 0.5 per cent. of the amount or value of the consideration for the transfer rounded-up to the nearest £5. The purchaser normally pays the stamp duty.

An unconditional agreement to transfer a Share will generally give rise to a liability on the purchaser to SDRT, at the rate of 0.5 per cent. of the amount or value of the consideration for the transfer. If a written instrument of transfer in respect of the agreement is produced within six years of the date that the agreement is entered into or (if later) the date that it becomes unconditional and (if stamp duty is chargeable on the transfer) the transfer has been duly stamped, any SDRT paid is repayable generally with interest, and the SDRT charge is cancelled.

The issue or transfer of Shares (1) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts within Section 67 or Section 93 of the Finance Act 1986 or (2) to, or to a nominee or agent for, a person providing a clearance service within Section 70 or Section 96 of the Finance Act 1986, will generally be subject to stamp duty or SDRT at 1.5 per cent. of the amount or value of the consideration or, in certain circumstances, the value of the Shares transferred (rounded up to the nearest £5 in the case of stamp duty).

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of Shares into the system unless such transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise. Paperless transfers of Shares within CREST will be liable to SDRT rather than stamp duty.

**IF YOU ARE IN ANY DOUBT AS TO YOUR TAX POSITION, YOU SHOULD CONSULT AN APPROPRIATE PROFESSIONAL ADVISOR WITHOUT DELAY.**

## SUBSCRIPTION, PLACING AND SALE

### Subscription Agreements

Under a Subscription Agreement entered into with the Issuer on 31 October 2008, Qatar Holding LLC and Challenger Universal Limited ("**Challenger**") agreed to subscribe for £500,000,000 and £300,000,000, respectively, in aggregate principal amount of Notes at the issue price of 100 per cent. of their principal amount on the Issue Date.

Under a Subscription Agreement entered into with the Issuer on 31 October 2008, PCP Gulf Invest 1 Limited (representing an Abu Dhabi governmental investment vehicle) (together with Qatar Holding LLC and Challenger, the "**Investors**") agreed to subscribe for £2,000,000,000 in aggregate principal amount of Notes at the issue price of 100 per cent. of their principal amount on the Issue Date.

Qatar Holding LLC, Challenger and PCP Gulf Invest 1 Limited will each receive a commission of 4 per cent. of the principal amount of the Notes for which they have respectively agreed to subscribe.

### Placing Arrangements

By the terms of a placing letter dated 31 October 2008 (the "**Placing Letter**") entered into between the Issuer, JPMorgan Cazenove Limited ("**JPMC**") and Credit Suisse Securities (Europe) Limited (together with JPMC, the "**Placing Agents**"), the Issuer appointed the Placing Agents, and, together with Barclays Capital, the investment banking division of the Issuer (collectively with the Placing Agents, the "**Joint Bookrunners**"), the Joint Bookrunners agreed to procure subscribers for up to £1,500,000,000 in aggregate principal amount of Notes. "**Placing**" means the placing of up to £1,500,000,000 in aggregate principal amount of Notes pursuant to the foregoing.

Pursuant to the Placing, the Joint Bookrunners procured subscribers (each, a "**Placee**") for £1,250,000,000 in aggregate principal amount of Notes on a non-underwritten basis.

Each of the Placing Agents will receive an equity advisory fee from the Issuer in respect of its services equal to 0.75 per cent. of the aggregate principal amount of Notes subscribed (or agreed to be subscribed) pursuant to the Placing. The Issuer has also agreed to reimburse the Placing Agents for certain of their expenses incurred in connection with the Placing.

### Selling Restrictions

#### *United States of America*

1. In connection with their subscription for the Notes, each Investor has warranted, acknowledged and agreed as follows (and has agreed to procure that, in connection with any transfer of the Notes, the transferee of such Notes shall make the following undertakings and acknowledgements):
  - 1.1 it acknowledges and agrees that none of the Notes and the Shares into which the Notes are convertible have been, nor will be, registered under the Securities Act;
  - 1.2 it understands that the offer and sale of the Notes and the Shares into which the Notes are convertible is being made in reliance on Regulation S under the Securities Act and acknowledges and agrees that, if and for so long as the Notes and such Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, none of the Notes nor such Shares may be offered, sold or pledged or otherwise transferred except (i) in a transaction

registered under the Securities Act or (ii) in an offshore transaction in accordance with the applicable requirements of Regulation S under the Securities Act or (iii) pursuant to another applicable exemption from registration under the Securities Act, and in each case in accordance with any applicable securities laws of any state of the United States. Each Investor understands that no representation has been made as to the availability of any exemption under the Securities Act for the reoffer, resale, pledge or transfer of the Notes and the Shares into which the Notes are convertible, which may be further subject to the applicable restrictions on transfer of the Notes and the Shares;

- 1.3 it is (i) not in the United States and (ii) not a "U.S. person" (within the meaning of Regulation S under the Securities Act), nor is it purchasing the Notes, nor will it convert its Notes into Shares for the account or benefit of a U.S. person;
- 1.4 none of it, its affiliates (as defined in Rule 405 under the Securities Act), or any persons acting on its behalf or on the behalf of its affiliates, has engaged or will engage in any "directed selling efforts" in the United States (within the meaning of Regulation S under the Securities Act) with respect to any Notes or with respect to the Shares into which the Notes are convertible or other securities of the same class as the Notes or the Shares;
- 1.5 it agrees not to deposit the Notes or the Shares into which the Notes are convertible into any unrestricted depository facility maintained by any depository bank at any time the Notes or the Shares into which the Notes are convertible, as applicable, are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;
- 1.6 neither it nor any of its affiliates, is a "bank holding company" within the meaning of the Bank Holding Company Act of 1956 (the "**BHCA**"), or is subject to the International Banking Act of 1978. Neither it nor any of its affiliates, owns or controls (within the meaning of the BHCA and the rules and interpretations of the U.S. Federal Reserve thereunder) (i) any bank or other financial institution located in the United States or having operations in the United States or (ii) any non-U.S. financial institution that owns or controls any bank or other financial institution located in the United States or having operations in the United States; and
- 1.7 it (i) warrants that it is a sophisticated investor with such knowledge and experience in financial and business matters, including but not limited to sales and purchases of securities, as to be capable of evaluating the merits and risks of the subscription for the Notes and (ii) acknowledges that it has been afforded an opportunity to request from the Issuer, and to review, all additional information considered by it to be necessary for it to evaluate the merits and risks of the subscription for the Notes.
2. Each of the Placing Agents has severally acknowledged and agreed that the Notes and the Shares into which the Notes are convertible have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Placing Agents has represented and agreed that it has not offered or sold and will not offer or sell any Notes except outside the United States or otherwise in an "offshore transaction" (as defined in Regulation S) in each case in accordance with Rule 903 of Regulation S. Accordingly, each of the Placing Agents has severally warranted, undertaken and agreed that neither it, nor any affiliate (as defined in Rule 405 under the Securities Act) nor any person acting on its or their behalf has engaged or will engage in any "directed selling efforts" (as defined in Regulation S) with respect to the Notes, and the Shares into which the Notes are

convertible and that it and such persons have complied and will comply with the offering restrictions of Regulation S.

3. Each of the Placing Agents has severally represented that it has not entered and agrees that it will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Notes.
4. Each Placee (and any person acting on its behalf) is deemed to have acknowledged that the Notes are being purchased for investment purposes, and not with a view to distribution within the meaning of United States securities laws.
5. Each Placee (and any person acting on its behalf) is deemed to have acknowledged and agreed that none of the Notes nor the Shares into which the Notes are convertible have been nor will be registered under the Securities Act.
6. Each Placee (and any person acting on its behalf) is deemed to have understood that the offer and sale of the Notes and the Shares into which the Notes are convertible is being made in reliance on an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and has acknowledged and agrees that, for so long as the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, none of the Notes nor such Shares may be offered, sold or pledged or otherwise transferred except in an offshore transaction in accordance with the applicable requirements of Regulation S under the Securities Act or pursuant to another applicable exemption from registration under the Securities Act, and in each case in accordance with any applicable securities laws of any state of the United States and the laws of other jurisdictions. Each Placee is deemed to have understood that no representation has been made as to the availability of any exemption under the Securities Act for the reoffer, resale, pledge or transfer of the Notes or the Shares into which the Notes are convertible, which may be further subject to the applicable restrictions on transfer of the Notes and the Shares set forth in the Terms and Conditions of the Notes.
7. Each Placee (and any person acting on its behalf) is deemed to have represented and warranted that it is not in the United States (within the meaning of Regulation S under the Securities Act) and/or it is subscribing for the Notes in an "offshore transaction" (within the meaning of Regulation S under the Securities Act).
8. Each Placee (and any person acting on its behalf) is deemed to have represented, warranted and agreed that it is subscribing for the Notes for its own account (or for the account of its affiliates or funds managed by it or its affiliates with respect to which it either have investment discretion or which are outside the United States (as defined above)), in each case, not with a view to, or for resale in connection with, the distribution thereof or the distribution of the Shares into which the Notes are convertible, into the United States.
9. Each Placee (and any person acting on its behalf) is deemed to have agreed not to deposit the Notes or the Shares into which the Notes are convertible into any unrestricted depositary facility maintained by any depositary bank (including, without limitation, the existing American Depositary Shares facility of the Holding Company with JPMorgan Chase Bank, N.A.) unless and until such time as the Shares are no longer "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act.
10. Each Placee (and any person acting on its behalf) is deemed to have represented and warranted that neither it, nor any of its affiliates, is a "bank holding company" within the meaning of the

BHCA, or is subject to the International Banking Act of 1978. Neither it, nor any of its affiliates own or control (within the meaning of the BHCA and the rules and interpretations of the U.S. Federal Reserve thereunder) (a) any bank or other financial institution located in the United States or having operations in the United States or (b) any non-U.S. financial institution that owns or controls any Bank or other financial institution located in the United States or having operations in the United States.

11. Each Placee (and any person acting on its behalf) is deemed to have agreed that it understands that a holder converting Notes shall be required to represent and agree in an exchange notice that at the time of execution and deposit of such exchange notice it or the person who has the beneficial interest in that Note is not in the United States (within the meaning of Regulation S) and it, or such person, purchased such Note, or the beneficial interest therein, in a transaction made in accordance with Rule 903 or Rule 904 of Regulation S. No Shares will be issued to a Noteholder unless the Noteholder satisfies the foregoing conditions.

#### *United Kingdom*

1. Each of the Placing Agents has agreed that it, as agent of the Issuer, will not offer or sell any Notes in the United Kingdom other than:
  - 1.1 to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) in the course of their business and who are qualified investors within the meaning of Section 86(7) of the FSMA; or
  - 1.2 otherwise in circumstances which have not resulted and will not result in an offer to the public in the UK within the meaning of the FSMA.
2. Each of the Placing Agents has agreed that 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) in connection with the issue or sale of Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.
3. Each Placee (and any person acting on its behalf) is deemed to have represented and warranted that it has not offered or sold and, prior to the expiry of a period of six months from admission to trading of the Notes on the London Stock Exchange, will not offer or sell any Notes to persons in the United Kingdom, 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 business or otherwise in circumstances which have not resulted and which will not result in a breach of section 19 of the FSMA.
4. Each Placee (and any person acting on its behalf) is deemed to have represented and warranted that 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) relating to the Notes in circumstances in which section 21(1) of the FSMA does not require approval of the communication by an authorised person.
5. Each Placee (and any person acting on its behalf) is deemed to have represented and warranted that it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving, the United Kingdom.

*Public Offer Selling Restriction Under The Prospectus Directive*

1. Each of the Placing Agents has represented, warranted and agreed that it has not and will not make an offer to the public of any Notes in a Member State of the European Economic Area which has implemented the Prospectus Directive (being Directive 2003/71EC and any relevant implementing measure in each such Member State) (each a "**Relevant Member State**"), except for any offer made in a Relevant Member State of any Notes under the following exemptions under the Prospective Directive (provided that they have been implemented in that Relevant Member State):

- 1.1.1 to persons who are qualified investors (within the meaning set out in Article 2(1)(e) of the Prospectus Directive); or

- 1.1.2 in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes has resulted in or will result in a requirement for the publication by the Issuer or the Placing Agents of a prospectus pursuant to the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public of any Notes" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

2. Each Placee (and any person acting on its behalf), if a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, is deemed to have represented and warranted that the Notes acquired by it in the Placing will not be acquired on a nondiscretionary basis on behalf of, nor will they be acquired with a view to their offer or resale to, persons in a Member State of the European Economic Area which has implemented the Prospectus Directive other than qualified investors (as defined in Article 2(1)(e) of the Prospectus Directive), or in circumstances in which the prior consent of the Joint Bookrunners has been given to the offer or resale.
3. Each Placee (and any person acting on its behalf) is deemed to have represented and warranted that it has not offered or sold and will not offer or sell any Notes to persons in the European Economic Area prior to admission to trading of the Notes on the London Stock Exchange 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 business or otherwise in circumstances which have not resulted in and which will not result in an offer to the public in any member state of the European Economic Area within the meaning of the Prospectus Directive.

*China*

The Notes and the Shares may not be offered or sold directly or indirectly within the borders of the People's Republic of China (which, for such purposes, does not include the Hong Kong or Macau Special Administrative Regions or Taiwan) (the "**PRC**"). This Prospectus or the information contained herein has not been approved by or registered with any relevant governmental authorities in the PRC and may not be offered for sale in the PRC. Investors with registered addresses in, or who are resident

or ordinarily resident in, or a citizen of, the PRC are responsible for obtaining all relevant government regulatory approvals/licences (if any) themselves, including, but not limited to, any which may be required from the State Administration of Foreign Exchange and other competent regulatory authorities and complying with all relevant PRC regulations (if applicable), including, but not limited to, any relevant foreign exchange regulations and/or overseas investment regulations.

#### *United Arab Emirates*

This Prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

By receiving this Prospectus, the person or entity to whom it has been issued understands, acknowledges and agrees that this Prospectus has not been approved by the UAE Central Bank, the Emirates Securities or Commodities Authority ("ESCA") or any other authorities in the UAE, nor has the placement agent, if any, received authorisation or licensing from the UAE Central Bank, ESCA or any other authorities in the United Arab Emirates to market or sell securities or other investments within the United Arab Emirates. No marketing of any securities or services has been or will be made from within the United Arab Emirates and no subscription to any securities or other investments may or will be consummated within the United Arab Emirates. It should not be assumed that the placement agent, if any, is a licensed broker, dealer or investment advisor under the laws applicable in the United Arab Emirates, or that it advises individuals resident in the United Arab Emirates as to the appropriateness of investing in or purchasing or selling securities or other securities. The Notes and the Shares may not be offered or sold directly or indirectly to the public in the United Arab Emirates. This does not constitute a public offer of securities or units in funds in the United Arab Emirates in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

By receiving this Prospectus, the person or entity to whom it has been issued understands, acknowledges and agrees that the Notes and the Shares have not been and will not be offered, sold or publicly promoted or advertised in the Dubai International Financial Centre other than in compliance with laws applicable in the Dubai International Financial Centre, governing the issue, offering or sale of Notes or Shares. The Dubai Financial Services Authority has not approved this Prospectus nor taken steps to verify the information set out in it, and has no responsibility for it.

#### *Qatar*

This Prospectus has not been filed with, reviewed or approved by the Qatar Central Bank, the Qatar Financial Centre Regulatory Authority or any other relevant Qatar governmental body or securities exchange, nor any foreign governmental body or securities exchange.

This Prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.



### *Singapore*

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore, and any offer of the Notes or the Shares is made in reliance on the offering exemption under Section 273(1)(cd) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Accordingly, any document or material in connection with the offer or sale of the Notes or the Shares may not be circulated or distributed, nor may the Notes or the Shares be offered or sold, whether directly or indirectly, to any person in Singapore other than to (i) an existing Barclays shareholder or debenture holder pursuant to Section 273(1)(cd) of the SFA or (ii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

### *Others*

1. Each Placee (and any person acting on its behalf) is deemed to have acknowledged that it is not, and at the time the Notes are acquired will not be a resident of Australia, Canada or Japan, and that the Notes and the Shares into which the Notes are convertible have not been and will not be registered under the securities legislation of Australia, Canada or Japan and, subject to certain exceptions, may not be offered, sold, taken up, renounced or delivered or transferred, directly or indirectly, within those jurisdictions.
2. Each Placee (and any person acting on its behalf) is deemed to have represented and warranted that unless otherwise specifically agreed with the Joint Bookrunners it is, or at the time the Notes are acquired that it will be, the beneficial owner of such Notes, or that the beneficial owner of such Notes is not a resident of Australia, Canada or Japan.
3. The relevant clearances have not been, and nor will they be, obtained from the securities commission of any province or territory of Canada; no prospectus has been lodged with or registered by, the Australian Securities and Investments Commission, the Japanese Ministry of Finance or the relevant authority in South Africa; and the Notes have not been, and nor will they be, registered under or offered in compliance with the securities laws of any state, province or territory of Canada, Australia, Japan or South Africa. Accordingly, the Notes may not (unless an exemption under the relevant securities laws is applicable) be offered, sold, resold or delivered, directly or indirectly, in or into Canada, Australia, Japan or South Africa.

### *General*

1. Each of the Placing Agents has represented, warranted and agreed that it has not offered or sold or procured purchasers or subscribers for any Notes, or distributed any written materials relating to the Placing; and it will not offer or sell or procure purchasers or subscribers for any Notes or distribute any written materials relating to the Placing, in each case, in any other jurisdiction where such action would require a public offer of the Notes.
2. No action has been or will be taken in any jurisdiction by the Issuer, the Holding Company or any member of the Group or any of the Joint Bookrunners that would, or is intended to, permit a public offering of the Notes or the Shares, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus, or any other offering material relating to the Notes or the Shares, comes are required by the Issuer, the Holding Company and each of the Joint Bookrunners to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or Shares, or any other offering material relating to the Notes or Shares, or have in their possession, distribute or publish this

Prospectus or any other offering material relating to the Notes or Shares, in all cases at their own expense.

## GENERAL INFORMATION

1. The issue of the Notes has been authorised pursuant to a written resolution passed by the Fund Raising Committee of the Board of Directors of the Issuer on 21 November 2008. The issue and delivery of the Shares upon conversion of the Notes have been authorised by a resolution of the Board of Directors of the Holding Company dated 27 October 2008.
2. The Group has for some time been party to proceedings, including a class action, in the United States against a number of defendants following the collapse of Enron; the class action claim is commonly known as the Newby litigation. On 20 July 2006, the Group received an Order from the United States District Court for the Southern District of Texas Houston Division which dismissed the claims against the Holding Company, the Issuer and Barclays Capital Inc. in the Newby litigation. On 4 December 2006, the Court stayed the Group's dismissal from the proceedings and allowed the plaintiffs to file a supplemental complaint. On 19 March 2007, the United States Court of Appeals for the Fifth Circuit issued its decision on an appeal by the Issuer and two other financial institutions contesting a ruling by the District Court allowing the Newby litigation to proceed as a class action. The Court of Appeals held that because no proper claim against the Issuer and the other financial institutions had been alleged by the plaintiffs, the case could not proceed against them. The plaintiffs applied to the United States Supreme Court for a review of this decision. On 22 January 2008, the United States Supreme Court denied the plaintiffs' request for review. Following the Supreme Court's decision, the District Court ordered a further briefing concerning the status of the plaintiffs' claims. The Group is seeking the dismissal of the plaintiffs' claims.

The Group considers that the Enron related claims against it are without merit and is defending them vigorously. It is not possible to estimate the Group's possible loss in relation to these matters, nor the effect that they might have upon operating results in any particular financial period.

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

Like other UK financial services institutions, the Group faces numerous County Court claims and complaints by customers who allege that its unauthorised overdraft charges either contravene the Unfair Terms in Consumer Contracts Regulations 1999 ("UTCCR") or are unenforceable penalties or both. In July 2007, by agreement with all parties, the OFT commenced proceedings against seven banks and one building society, including the Issuer, to resolve the matter by way of a "test case" process. Preliminary issues hearings took place in January 2008 (in respect of current terms) and July 2008 (in respect of past terms), with judgments handed down in April and October respectively. As to current terms, in April the court held in favour of the banks on the issue of the penalty doctrine, and in favour of the OFT on the issue of the applicability of the UTCCR. The banks' appeal against the decision in relation to the applicability of the UTCCR took place at a hearing which commenced in late October 2008 which concluded on 5 November 2008 with judgment reserved. A judgment from the Court of Appeal is not expected before the end of the year. As to past terms, at the July hearing the banks conceded that the decision of the Court of Appeal in relation to the UTCCR and current terms should read across to past terms, and therefore the July hearing was only

concerned with the common law penalty doctrine. In its judgment handed down on 8 October 2008, the Court held that Barclays past terms, including those of Woolwich, were not capable of being penalties. Further hearings will be required to finalise the position in relation to some of the other defendant banks' past terms. The proceedings may take a significant period of time to conclude. Pending resolution of the test case process, existing and new claims in the County Courts remain stayed, and there is an FSA waiver of the complaints handling process and a standstill of Financial Ombudsman Service decisions. The Group is defending the test case vigorously. It is not practicable to estimate the Group's possible loss in relation to these matters, nor the effect that they may have upon operating results in any particular financial period. Barclays will comply with its obligations as a listed company admitted to the Official List in connection with further disclosures in relation to this litigation, including its potential impact on the Group.

Save as disclosed in the first, second and fourth paragraphs of this section 2, no member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), which may have or have had during the 12 months preceding the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer, the Holding Company and/or the Group.

3. Save as disclosed in the first paragraph under the subheading "**Acquisitions**" on page 75 of this Prospectus in relation to the acquisition of Lehman Brothers' North American operations and in the paragraphs entitled "*The Capital Raising*", "*The Placing*" and "*The Firm Placing and Placing and Open Offer*" under the subheading "**Recent developments**" on pages 76 to 78 of this Prospectus in relation to the Barclays capital raisings announced on 31 October 2008, 18 September 2008 and 25 June 2008 and save for the net losses from credit market writedowns and gains on the fair valuation of issued notes referred to in the first paragraph under the heading "*Credit Market Exposures*" on page 92 of this Prospectus (Interim Management Statement dated 31 October 2008), there has been no significant change in the financial or trading position of the Issuer, the Holding Company or the Group since 30 June 2008 (the date to which Barclays' last published interim financial information was prepared).
4. There has been no material adverse change in the prospects of the Issuer, the Holding Company or the Group since 31 December 2007.
5. The independent auditors of the Issuer and the Holding Company are PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors of Hay's Galleria, 1 Hay's Lane, London SE1 2RD, who have audited the consolidated accounts of the Issuer and the Holding Company and their respective subsidiaries, without qualification, for each of the two financial years ended on 31 December 2006 and 31 December 2007. The auditors of the Issuer and the Holding Company have no material interest in the Issuer or the Holding Company.
6. This Prospectus will be made available on the website of the London Stock Exchange.
7. For so long as any of the Notes are admitted to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange and the prospectus rules of the FSA so require, for the life of this Prospectus, copies of the following documents may be inspected during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at Barclays Treasury, 1 Churchill Place, London E14 5HP and at the specified office of the Principal Paying and Conversion Agent, currently located at One Canada Square, London E14 5AL:

- (a) the Memorandum and Articles of Association of the Issuer;
  - (b) the Memorandum and Articles of Association of the Holding Company;
  - (c) the Joint Annual Report, the 2006 Issuer Annual Report, the 2007 Issuer Annual Report, the Interim Results Announcement, the Issuer Interim Results Announcement, the Announcement, the Issuer Capitalisation and Indebtedness Table and the Holding Company Capitalisation and Indebtedness Table;
  - (d) the Trust Deed;
  - (e) the Agency Agreement;
  - (f) any supplementary prospectus published since the most recent prospectus was published and any documents incorporated therein by reference.
8. The Shares are listed on the Official List of the FSA and trade on the London Stock Exchange under the symbol "BARC". The ISIN for the Shares is GB0031348658. Information about the past and future performance of the Shares and its volatility can be obtained from the website of the London Stock Exchange at [www.londonstockexchange.com](http://www.londonstockexchange.com).
9. Applications have been made for the Notes to be admitted to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange. It is expected that the Notes will be so admitted and listed as and when issued. The total expenses relating to the admission to trading of the Notes are estimated to be £7,760.
10. The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code for the Notes is 039755386. The ISIN Code for the Notes is XS0397553867. The Sedol Code is B3F9YM 2. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.

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

**L.C. Dickinson and P.A. Gonsalves**

1 Churchill Place  
London E14 5HP  
England

**COMPANY SECRETARY AND  
REGISTERED OFFICE OF  
THE HOLDING COMPANY**

**L.C. Dickinson**

1 Churchill Place  
London E14 5HP  
England

**TRUSTEE FOR THE NOTEHOLDERS**

**BNY Corporate Trustee Services Limited**

One Canada Square  
London E14 5AL  
England

**AUDITORS OF THE ISSUER AND THE HOLDING COMPANY**

**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors  
Hay's Galleria  
1 Hay's Lane  
London SE1 2RD  
England

**LEGAL ADVISERS**

*To the Issuer and the Holding Company (as to English law)*

**Clifford Chance LLP**

10 Upper Bank Street  
London E14 5JJ  
England

*To the Joint Bookrunners (as to English law)*

*To the Trustee (as to English law)*

**Freshfields Bruckhaus Deringer LLP**

65 Fleet Street  
London EC4Y 1HT  
England

**Linklaters LLP**

One Silk Street  
London EC2Y 8HQ  
England

**PRINCIPAL PAYING AND CONVERSION AGENT**

**The Bank of New York Mellon, London Branch**

One Canada Square  
London E14 5AL  
England