

## Additional Special Terms and Conditions for the AA 5 year 5% Cashback Guaranteed Equity Bond (Issue 1)

These AA 5 year 5% Cashback Guaranteed Equity Bond (Issue 1) Terms and Conditions are in addition to and supplemental to the General Investment Terms and Conditions and where there are any contradictions, these conditions shall prevail. In these terms, the Account (as defined in clause 1 below) is operated by Birmingham Midshires.

### 1. Definitions

"Bond" means the AA 5 Year 5% Cashback Guaranteed Equity Bond (Issue 1).

"Issue" means the AA 5% Cashback Guaranteed Equity Bond (Issue 1).

"Investor" means a person(s) who has opened a Bond including the administrators, executors or assigns of that person.

"Offer Period" means the period up to and including 29 September 2006. This Issue will close earlier if fully subscribed.

"FTSE 100 Index" means the index of 100 leading stocks listed on The London Stock Exchange.

"Initial Index Level" means the average value of the FTSE 100 Index measured at normal FTSE 100 Index closing time on each day between 13 October 2006 and 12 January 2007.

"Maturity Index Level" means the average value of the FTSE 100 Index measured at normal FTSE 100 Index closing time on each day between 24 September 2010 and 26 September 2011.

"Maturity Date" means 29 September 2011. The account will be available for re-investment or withdrawal on the next banking day after maturity.

"Issue Date" means 13 October 2006 being the day nominated by Birmingham Midshires on which the account will be issued.

### 2. Investment Levels

The minimum investment is £500. The maximum for any Investor is £1 million. Additional investments are permitted during the Offer Period, providing that this issue has not been fully subscribed.

### 3. Terms and Conditions

This investment is subject to the enclosed General Investment Terms and Conditions. In case of conflict, these Special Terms and Conditions prevail.

### 4. Interest

a) Initial interest payment - By 27 October 2006, Birmingham Midshires will make a cheque payment to all customers with balances invested in the bond. This payment will be equivalent to 5% of the balance invested in the bond.

b) Maturity payment - At maturity, an interest payment will be made equivalent to 75% of the increase in the FTSE 100 Index with no maximum limits or 5% gross (0.98 AER)† whichever is greater. The interest to be calculated on the Bond Maturity Date will be determined in accordance with the following formula (except in accordance with paragraph 6).

$$\frac{\text{Maturity Index Level} - \text{Initial Index Level}}{\text{Initial Index Level}} \times 75\%$$

c) After the Bond Maturity Date, in the absence of any written instruction being received, the proceeds will be transferred into an AA account being offered, selected at Birmingham Midshires' discretion.

d) The following early investment bonuses will also be paid at maturity on balances held at maturity. Investments made before 31 July 2006 will receive 0.50% gross. Investments made before 31 August 2006 will receive 0.25% gross. Investments made during September will not receive any early investment bonus.

e) In the unlikely event of an error in the calculation of the FTSE 100 Index and if as a result of such error there is either an overpayment or underpayment to the Investor, it is agreed (a) that Birmingham Midshires will pay to the Investor any underpayment immediately on becoming aware of it or (b) that the Investor will repay any overpayment within seven banking days of receiving written notice from Birmingham Midshires. This is without prejudice to paragraph E in the General Investment Terms and Conditions.

### 5. Early Closure/Part Withdrawal

a) You may choose to close or make a part withdrawal from the account and we will do this for you without notice. If you choose to close or make a part withdrawal, the following early withdrawal charges will apply:

- Closure/part withdrawal in year 1 - 10% of amount withdrawn
- Closure/part withdrawal in year 2 - 9% of amount withdrawn
- Closure/part withdrawal in year 3 - 8% of amount withdrawn
- Closure/part withdrawal in year 4 - 7% of amount withdrawn
- Closure/part withdrawal in year 5 - 6% of amount withdrawn

b) Repayment of the 5% Cashback: If you choose to close your account early, a further charge of 5% will be made on the amount withdrawn.

### 6. Death

If an Investor dies, Birmingham Midshires will, if requested to do so by either their executor/administrator or the person entitled to the beneficial interest in the Bond (on receipt of appropriate evidence), return the investment in full along with an interest payment based on a rate of 3% gross/AER, for the period in question. For the avoidance of doubt only Bonds open at the Maturity Date will qualify for an interest payment under paragraph 4.

### 7. Money Back Guarantee

The Investor may, only prior to the Issue Date, withdraw the deposit plus any interest earned at the rate payable on our AA Telephone Savings Account (underlying rate) within 14 days of receipt of the original deposit by Birmingham Midshires, provided any cheques have cleared. Interest will be calculated daily from the fourth banking day after the receipt of any cheques.

### 8. Market Disruption

If, on or between the dates used to calculate the Initial and Maturity Index Levels, there shall occur (a) any disruption in the trading in such securities which comprise the FTSE 100 Index or (b) a failure to calculate or announce the FTSE 100 Index, then Birmingham Midshires may be entitled to take the level of the FTSE 100 Index on the next succeeding business day when a market disruption does not occur.

### 9. Income Tax

Birmingham Midshires will deduct the basic income tax liability for investors before making any payment, but H.M. Revenue & Customs still requires that Investors must declare all interest received or credited on their annual tax return. If an Investor is (or becomes) liable to tax at a higher rate, or in receipt of age allowance, he or she will have further tax to pay.

### 10. Stock Exchange Disclaimer

These accounts are not in any way sponsored, endorsed, sold or promoted by FTSE International Limited ("FTSE") or by the London Stock Exchange Limited ("The Exchange") or by The Financial Times Limited ("FT") and neither FTSE nor The Exchange nor the FT makes any warranty or representation whatsoever, expressly or implied, either as to the results to be obtained from the use of the FTSE 100 Index ("The Index") and/or the figure at which the said Index stands at any particular day or otherwise. The Index is compiled and calculated solely by FTSE. However, neither FTSE, nor The Exchange, nor the FT shall be liable (whether in negligence or otherwise) to any person for any error therein. FTSE is a registered trademark of The London Stock Exchange and The Financial Times Limited and is used by FTSE International Limited and Birmingham Midshires under licence.

### 11. Cancellation

If total funds received by Birmingham Midshires from all Investors during the Offer Period are deemed by Birmingham Midshires to be insufficient, then Birmingham Midshires reserves the right to withdraw this issue and repay investments received plus any interest earned at the rate payable on our AA Telephone Savings Account (underlying rate) within 14 days of the Issue Date.

### 12. Certificate of Investment

Birmingham Midshires shall, by 26 January 2007, mail out to investors a Certificate of Investment giving details of the investment, including the Initial Index Level and the amount invested.

### 13. Identification

In the interest of security, new customers may be asked to provide acceptable proof of identification on opening an account. Birmingham Midshires may also take steps to check the identity of Investors applying by post which may include making further enquiries or following up references.

### 14. Correspondence

All correspondence will be sent to the Investor at the registered address as detailed in Birmingham Midshires' records. An Investor is asked to notify Birmingham Midshires promptly of any change of address.

### 15. Complaints

Birmingham Midshires has its own internal procedure for the proper handling of customers' complaints and details of those procedures will be provided on request from our Corporate Centre at Pendeford.

### 16. Averaging

The Bond uses a special averaging feature both at the start and maturity of the account. This averaging may restrict the return you receive. However, these averages are intended to smooth the FTSE performance over time and designed to protect your investment from any uncharacteristic high FTSE fixing at the start of the account or low FTSE fixing at the maturity date.

# AA 5 year 5% Cashback Guaranteed Equity Bond (Issue 1)

## A risk free investment linked to the performance of the FTSE 100 Index

\*AER stands for Annual Equivalent Rate and illustrates what the interest rate would be if interest was paid and compounded once each year. As every advertisement for a savings product which quotes an interest rate will contain an AER, you will be able to compare more easily what return you can expect from your savings over time. **Gross** is the contractual rate of interest payable before the deduction of income tax at the rate specified by law. If you are a higher rate tax payer you may have a further amount to pay.

† Assumes investment is made on 29 September 2006.

PO Box 81, Pendeford Business Park, Wobaston Road, Wolverhampton WV9 5HZ. Telephone: 0845 603 3342

Calls may be monitored and recorded for quality assurance and compliance. Lines are open between 9am to 6pm, Monday to Friday and 9.30am to 1pm Saturdays. 0845 numbers may not be available outside the UK and cost up to 3.95p per min from BT landlines. Price of calls from other operators and, if available, from outside the UK may vary (check with operator). Prices correct as at June 2006.

This information is also available on request in large print, Braille or audio cassette. Customers can also contact us by using Typetalk.

The deposit taker for the AA 5 year 5% Cashback Guaranteed Equity Bond (Issue 1) is Birmingham Midshires, a division of Halifax plc, which is authorised for accepting deposits by the Financial Services Authority. It is entered in the FSA's Register and its Register Number is 106048. Registered in England No 2367076. Registered Office: Trinity Road, Halifax, West Yorkshire HX1 2RG.

To contact the FSA Consumer helpline, please ring 0845 606 1234, or visit [www.fsa.gov.uk/consumer](http://www.fsa.gov.uk/consumer)

Halifax plc is a member of The British Bankers' Association and subscribes to the Banking Code, copies of which are available upon request.

Halifax plc is a member of the Financial Services Compensation Scheme established under the Financial Services and Markets Act 2000. Where a customer has made deposits in a savings or bank account, payments under the scheme are limited to 100% of the first £2,000 and 90% of the next £33,000 of the customer's total deposits subject to a maximum payment to any one depositor of £31,700. Most deposits denominated in sterling and other European Economic Area currencies and euro made with offices of the bank within the European Economic Area are covered. There are different levels of protection for other investments covered by the Financial Services Compensation scheme. Further details of the scheme are available upon request.

**AA Savings**



# What is the AA 5 year 5% Cashback Guaranteed Equity Bond?

This is an investment linked to the performance of the FTSE 100 Index over a 5 year period. You'll receive 75% of any growth in the FTSE 100 Index or 5% gross (0.98% AER\*)<sup>†</sup> - whichever is the highest at the end of the 5 years. You'll also receive 5% "cashback" on the amount you invest when you open the account.

## The Benefits

- Get 5% Cashback paid to you by 27th October 2006.
- You'll receive 75% of any growth in the FTSE 100 Index or a minimum return of 5% gross (0.98% AER)\* - whichever is the highest at the end of the 5 years.
- Your capital is completely safe. Because you do not invest directly in the FTSE 100 Index, your initial capital is completely protected, as it is invested in a deposit account. Even in the event of the FTSE 100 Index falling, you'll still receive 100% of your original investment, plus the minimum return of 5% gross (0.98% AER)\*.
- You may withdraw funds before the full term, although charges and conditions apply (see Terms and Conditions).

## Things you need to know

- Each issue of this type of bond has a limited amount of money that can be invested in it. If the limit is reached the issue will be closed, so we urge you to apply early before the issue is fully subscribed.
- You can invest anything from £500 to £1 million.
- Your bond will mature in 5 years on 29 September 2011 – to have the potential of higher returns, your funds must be invested for the full term. However, if you choose to access your funds, charges and conditions will apply and you will not earn interest on the funds you withdraw.
- The cost of capital protection is included in the returns we offer.
- Don't forget inflation would reduce what you could buy in the future with your investment.

## Added Bonus

In addition to earning 5% cashback on the amount you invest when you open the account, if you invest by 31 July 2006, you will receive a maturity bonus of 0.50%. If you invest by 31 August 2006, you will receive a maturity bonus of 0.25%. Investments made during September 2006 will not receive any early investment bonus. The bonus is paid to you regardless of the performance of the FTSE 100 Index.

## Interest

Your interest will be calculated and paid at the maturity of your bond (on 29 September 2011).

## What about tax?

We'll take care of your basic tax liability for you.

If you are a higher rate taxpayer you may have a further amount to pay. Non-taxpayers can register for gross interest simply by contacting the AA Savings Team.

## The FTSE 100 Index

To assess the FTSE's performance over the period of your investment, we use a special averaging feature at the start and maturity of the bond, this averaging may restrict or improve the return you receive. Averaging is designed to protect your investment not just from any uncharacteristic high FTSE fixing at the start date of the bond (13 October 2006), but also from a low FTSE fixing at the maturity date (29 September 2011). However, your investment return will be restricted if the opposite were true. The aim is to smooth the performance of the FTSE over time, giving you even more peace of mind.

## How to apply

Simply sign and return the enclosed application form, along with a cheque (made payable to yourself for at least the minimum opening balance of £500) to the address detailed below. You may need to provide us with identification, details can be found on the enclosed form.

AA Savings Team  
PO Box 81  
Pendeford Business Park  
Wobaston Road  
Wolverhampton WV9 5HZ.



Once your application has been processed, you'll receive your Welcome Letter with your account number and everything you need to know about managing your account.

For more information on the AA 5 year 5% Cashback Guaranteed Equity Bond, call our AA Savings Team on **0845 603 3342**.

This is a strictly limited issue and must close by 29 September 2006 or earlier if fully subscribed.

\***AER** stands for Annual Equivalent Rate and illustrates what the interest rate would be if interest was paid and compounded once each year. As every advertisement for a savings product which quotes an interest rate will contain an AER, you will be able to compare more easily what return you can expect from your savings over time. **Gross** is the contractual rate of interest payable before the deduction of income tax at the rate specified by law. If you are a higher rate tax payer you may have a further amount to pay.