

DEBT NOTE/ CURRENCIES



EUR/USD Index Factor Performance as of 31.03.07

(Index Factor performance is for illustrative purposes only and does not represent actual iPath ETNs performance. Index Factor performance returns do not reflect any management fees, transaction costs, or expenses.)

Source: BGI, Reuters 01/99-03/07 (based on monthly returns).

IPATH EUR/USD EXCHANGE RATE ETN

Focus:

- Issued by Barclays Bank PLC, it is a senior, unsecured, unsubordinated debt note whose return is linked to the performance of the "EUR/USD exchange rate" or "Index"
- The EUR/USD exchange rate is a foreign exchange spot rate that measures the relative values of two currencies, the EUR and the USD. When the EUR appreciates relative to the USD, the EUR/USD exchange rate (and the value of the ETN) increases and vice-versa
- It can be traded on an exchange (primary exchange: NYSE) at market price or based on the performance of the „Index“(fees are deductible) - a cash payment can be received on the due date (May14, 2037) or before, upon early redemption.
- Liquidity: restrictions apply on the minimum number of ETNs redeemable directly with the issuer; in large, institutional blocks (typically, 50,000 units) weekly and on the dates specified.

Strength:

- Relatively speaking, an ETN has lower investor fees than currently existing mutual funds that invest in similar markets (buying and selling ETNs will result in brokerage commissions)
- Transparency (no hidden costs)
- Not subject to long term tracking risk against the index
- Can be shorted

Weakness:

- Better suited to buy-and hold investors
- Single heavy weight participant's entry and exit could sway prices

Opportunities:

- Ability to express EUR/USD view
- Currency exposure is increasingly being embraced as a separate asset class to provide portfolio diversification that has the potential to enhance portfolio returns

Threats:

- Credit worthiness of issuer:

Barclays Bank PLC long-term unsecured obligations needs to be followed

- Current S&P Rating: **AA**
- Current Moody's Rating: **Aa1**

(should be considered as a cost factor = Barclay's credit default risk vs. that of a risk free Govt. bond)

Risk Management

- Risk at ETN level:
 - Credit worthiness of the issuer - Barclays Bank PLC
 - Cannot guarantee return of principal at maturity (the investor fee is deductible and reduces the ETNs return at maturity or on redemption)
 - Do not pay any interest during their term
 - Liquidity (currently the volume traded is light)
- Risk of underlying:
 - Exchange rate fluctuations (affected by national debt, trade deficits, domestic and foreign inflation rates, interest rates; judicial, legislative, political issues and geo-political upheavals among others)
 - Volatility (can be high)*

Performance Parameters

- As of 31.03.07 EUR/USD Exchange Rate Monthly Correlations (time period: 29.02.02-30.03.07)
- S&P500: - 0.04
- Lehman US Aggregate Index: 0.31
- MSCI EAFE Index: 0.23
- S&P GSCI Total Return Index: 0.16
- As of 30.03.07 Index total returns (time period 29.03.02 – 30.03.07):
EUR/USD index Factor – 1 year return: 13.20%
volatility annualised: 8.92%*

Outlook

- New innovative instrument - ETNs are just beginning to catch on
- Barriers to entry: limited

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