



BARCLAYS BANK PLC

(Incorporated with limited liability in England and Wales)

**iPath® VSTOXX® Mid-Term Futures Total Return Exchange Traded
Notes**

issued pursuant to the

GLOBAL STRUCTURED SECURITIES PROGRAMME

iPath® VSTOXX® Programme

Barclays Bank PLC (the "Bank") may from time to time issue Securities that are senior, unsecured, unsubordinated, zero-coupon, EURO STOXX 50® Volatility Mid-Term Futures Total Return Index linked, exchange traded notes under the iPath® VSTOXX® Programme that may be issued in the form of Notes or Certificates. This iPath® VSTOXX® Base Prospectus, comprises a base prospectus (for the purposes of the Prospectus Directive) in respect of the iPath® VSTOXX® Programme. This iPath® VSTOXX® Base Prospectus, any Base Prospectus Supplement and the applicable Final Terms for a Series will comprise the offering documents (the "Offering Documents") in respect of such Series. The Securities do not guarantee any return of principal at maturity and do not pay interest during their term.

Listing and Admission to Trading

This iPath® VSTOXX® Base Prospectus has been approved by the UK Financial Services Authority (the "FSA"), which is the United Kingdom competent authority for the purposes of the Prospectus Directive and relevant implementing measures in the United Kingdom, as a base 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 Securities under the iPath® VSTOXX® Programme issued within 12 months following the date of this document.

The Issuer has requested the FSA to complete a passport request of this iPath® VSTOXX® Base Prospectus in accordance with Article 18 of the Prospectus Directive to BaFin, AMF and CONSOB (in their respective capacities as competent authority in Germany, France and Italy for the purpose of the Prospectus Directive) by providing them, *inter alia*, with certificates of approval attesting that this iPath® VSTOXX® Base Prospectus has been drawn up in accordance with the Prospectus Directive. The Issuer may request the FSA to provide competent authorities in other EEA Member States with such certificates whether for the purposes of making a public offer in such EEA Member States or for admission to trading of all or any Series of Securities on a regulated market therein or both.

Application may be made to admit this iPath® VSTOXX® Base Prospectus and any such Securities issued hereunder to listing on the Official List and to trading on the London Stock Exchange's Regulated market and/or for such Securities to be admitted to the German Official List and to be admitted to trading on the German Market and/or for such Securities to be admitted to the French Official List and to trading on the French Market. Application may also be made for Italian Securities to be admitted to the Italian Official List and to trading on the Italian Market. The London Stock Exchange's Regulated market, the German Market, the Italian Market and the French Market are Regulated Markets for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive). Application may be made to any other stock exchange for a listing of a particular Series of Securities issued under the iPath® VSTOXX® Programme. Certain Series of Securities may not be listed on any stock exchange. If any Series of Securities is to be listed, the applicable Final Terms will specify on which exchange(s) such Securities will be listed.

Offer and Sale of Securities

Any Investor intending to acquire or acquiring any Securities from an Offeror should be aware that, in the context of an offer to the public as defined in Section 102B of the Financial Services and Markets Act 2000 ("FSMA"), the Issuer may be responsible to the Investor for this iPath® VSTOXX® Base Prospectus under Section 90 of the FSMA, only if the Issuer has authorised that Offeror to make the offer to the Investor. Each Investor should therefore enquire whether the Offeror is so authorised by the Issuer. If the Offeror is not authorised by the Issuer, the Investor should check with the Offeror whether anyone is responsible for this iPath® VSTOXX® Base Prospectus for the purposes of section 90 of the FSMA in the context of the offer to the public, and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this iPath® VSTOXX® Base Prospectus and/or who is responsible for its contents, it might consider taking legal advice. **Where information relating to the terms of the relevant offer required pursuant to the Prospectus Directive is not contained in the Offering Documents, it will be the responsibility of the relevant Offeror at the time of such offer to provide the Investor with such information. This does not affect any responsibility which the Issuer may otherwise have under applicable laws.**

Each Tranche (as defined herein) of Securities will be represented on issue by a temporary global security in bearer form or a permanent global security in bearer form. Global Bearer Securities will be issued in CGN form and will be deposited on or prior to the original issue date of the relevant Tranche with Clearstream, Frankfurt. Interests in the Securities may also be cleared through Euroclear France, Euroclear and Clearstream, Luxembourg using the bridge between Clearstream, Frankfurt and Clearstream, Luxembourg. Securityholders may also hold interests in the Securities through CREST through the issuance of CREST Depository Interests representing Underlying Securities. CREST Depository Interests are independent securities constituted under English law and transferred through CREST and will be issued by CREST Depository Limited pursuant to the CREST Deed Poll. If the Securities are to be cleared through an additional or alternative clearing system, the appropriate information will be set out in the applicable Final Terms.

Securities may be offered at any time between the Issue Date of the first Tranche of a Series of Securities and the Redemption Date of such Securities.

Definitions

Unless otherwise defined, capitalised terms used in this iPath® VSTOXX® Base Prospectus have the meanings set out in the Conditions.

Investment Risks

Prospective Investors should have regard to the factors described under the section headed "Risk Factors" herein.

Arranger

Barclays Capital
29 June 2012

Responsibility: The Issuer accepts responsibility for the information contained in this iPath® VSTOXX® Base Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this iPath® VSTOXX® Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Ratings: The short term unsecured obligations of the Issuer are rated A-1 by Standard & Poor's Credit Market Services Europe Limited, P-1 by Moody's Investors Service Ltd. and F1 by Fitch Ratings Limited and the long-term obligations of the Issuer are rated A+ by Standard & Poor's Credit Market Services Europe Limited, A2 by Moody's Investors Service Ltd. and A by Fitch Ratings Limited.

The credit ratings included or referred to in this Base Prospectus or any document incorporated by reference are, for the purposes of Regulation (EC) No 1060/2009 on credit rating agencies (the “**CRA Regulation**”), issued by Fitch Ratings Limited, Moody's Investor Service Limited and Standard & Poor's Credit Market Services Europe Limited, each of which is established in the European Union and has been registered under the CRA Regulation.

Offers in Relevant Member States: This iPath® VSTOXX® Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (each a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Securities. Accordingly, any person making or intending to make an offer in that Relevant Member State of Securities which are the subject of an offering contemplated in this iPath® VSTOXX® Base Prospectus as completed by the applicable Final Terms in relation to the offer of those Securities may only do so (i) in circumstances in which no obligation arises for the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Manager has authorised, nor does any of them authorise, the making of any offer of Securities in circumstances in which an obligation arises for the Issuer or any Manager to publish or supplement a prospectus for such offer.

Public Offers: Any Investor intending to acquire or acquiring any Securities from any person (an “**Offeror**”) should be aware that, in the context of an offer to the public as defined in section 102B of the FSMA, the Issuer may only be responsible to the Investor for this iPath® VSTOXX® Base Prospectus under section 90 of the FSMA if the Issuer has authorised the Offeror to make the offer to the Investor. Each Investor should therefore enquire whether the Offeror is so authorised by the Issuer. If the Offeror is not so authorised by the Issuer, the Investor should check with the Offeror whether anyone is responsible for this iPath® VSTOXX® Base Prospectus for the purposes of section 90 of the FSMA in the context of the offer to the public, and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this iPath® VSTOXX® Base Prospectus and/or who is responsible for its contents, it might consider taking legal advice. Where information relating to the terms of the

relevant offer required pursuant to the Prospectus Directive is not contained in this iPath® VSTOXX® Base Prospectus or the applicable Final Terms, it will be the responsibility of the relevant Offeror at the time of such offer to provide the Investor with such information. This does not affect any responsibility which the Issuer may otherwise have under applicable laws.

Group: References herein to the “Group” are to the Bank and its subsidiaries.

Independent Investigation: None of this iPath® VSTOXX® Base Prospectus or any financial statements or any other financial information supplied in connection with the iPath® VSTOXX® Programme or any Securities is intended to provide the basis of any credit or other evaluation or should be considered as a recommendation by the Issuer that any recipient of this iPath® VSTOXX® Base Prospectus or any financial statements or any other financial information supplied in connection with the iPath® VSTOXX® Programme or any Securities should purchase any Securities. Investors might consider conducting their own independent investigations into the financial condition and affairs of, and their own appraisal of the creditworthiness of, the Issuer and of the suitability of the relevant Securities as an investment in the light of their own circumstances and financial condition and after due consideration of an investment linked to any relevant Index and, in deciding whether to purchase Securities, forming their own views of the merits of such an investment based upon such investigations.

Prospective Investors are urged to read the information in the section headed “Risk Factors”, together with the other information in the Principal Base Prospectus, as supplemented and amended from time to time, this iPath® VSTOXX® Base Prospectus, as supplemented and amended from time to time and the applicable Final Terms, before investing in the Securities.

Prospective Investors should note that the risks described in the section headed “Risk Factors” are not the only risks that the Issuer faces or that may arise because of the nature of the Securities. The Issuer has described only those risks relating to its operations and to the Securities that may be issued that it considers to be material. There may be additional risks that the Issuer currently considers not to be material or of which it is not currently aware, and any of these risks could have the negative effects set forth in the section headed “Risk Factors”. Prospective Investors might consider seeking independent financial advice where they do not fully understand the risks relating to the Securities.

None of the Issuer, any Manager or any Agent makes any representation or warranty as to the tax consequences of an investment in CDIs and/or the tax consequences of the acquisition, holding, transfer or disposal of CDIs by any investor (including, without limitation, whether any stamp duty, stamp duty reserve tax, excise, severance, sales, use, transfer, documentary or any other similar tax, duty or charge may be imposed, levied, collected, withheld or assessed by any government, applicable tax authority or jurisdiction on the acquisition, holding, transfer or disposal of CDIs by any Investor). Whilst the attention of prospective Investors is drawn to the section entitled “Taxation”, the tax consequences for each Investor in CDIs can be different and therefore Investors and counterparties might consider consulting with their tax advisers as to their specific consequences, including, in particular, whether United Kingdom stamp duty reserve tax will be payable on transfers of CDIs in uncertificated form within CREST.

Indices: All information relating to any Index contained in this iPath® VSTOXX® Base Prospectus has been reproduced from publicly available information. The Issuer confirms that this information has been accurately reproduced and that, as far as the Issuer is aware and is able to ascertain from information published in such publicly available information, no facts have been omitted which would render the reproduced information inaccurate or misleading. Accordingly, the Issuer accepts

responsibility for the accurate reproduction of such information but does not accept any further responsibility in respect of such information. Unless otherwise expressly stated in the applicable Final Terms, any information contained in such Final Terms relating to any Index will only consist of extracts from, or summaries of, information contained in financial and other information released publicly by the issuer, owner or sponsor, as the case may be, of any such Index. The Issuer will accept responsibility that such extracts or summaries have been accurately reproduced but will accept no further responsibility in respect of such information.

THE EURO STOXX 50® INDEX, THE EURO STOXX 50® VOLATILITY INDEX OR EURO STOXX 50® VOLATILITY MID-TERM FUTURES TOTAL RETURN INDEX AND THE TRADEMARKS USED IN THE INDEX NAMES ARE THE INTELLECTUAL PROPERTY OF STOXX LIMITED, ZURICH, SWITZERLAND AND/OR ITS LICENSORS. THE INDICES ARE USED UNDER LICENSE FROM STOXX LIMITED. THE SECURITIES BASED ON THE INDEX ARE IN NO WAY SPONSORED, ENDORSED, SOLD OR PROMOTED BY STOXX LIMITED AND/OR ITS LICENSORS AND NEITHER STOXX LIMITED NOR ITS LICENSORS SHALL HAVE ANY LIABILITY WITH RESPECT THERETO.

The Index Sponsor does not guarantee the accuracy and/or completeness of the Indices, any data included therein, or any data on which it is based, and the Index Sponsor shall have no liability for any errors, omissions or interruptions therein.

The Index Sponsor makes no warranty, express or implied, as to the results to be obtained from the use of the Indices. The Index Sponsor makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the Indices or any data included therein. Without limiting any of the foregoing, in no event shall the Index Sponsor have liability for any special, punitive, indirect or consequential damages, lost profits, loss of opportunity or other financial loss, even if notified of the possibility of such damages.

Neither the Index Sponsor nor any of its affiliates or subsidiaries or any of their respective directors, officers, employees, representatives, delegates or agents shall have any responsibility to any person (whether as a result of negligence or otherwise) for any determination made or anything done (or omitted to be determined or done) in respect of the Indices or publication of the Index Level (or failure to publish such value) and any use to which any person may put the Indices or their respective levels. In addition, although the Index Sponsor reserves the right to make adjustments to correct previously incorrectly published information, including but not limited to the Index Level, the Index Sponsor is under no obligation to do so and shall have no liability in respect of any errors or omissions.

Nothing in this disclaimer shall exclude or limit liability to the extent such exclusion or limitation is not permitted by law.

Prospective Investors should understand the risks associated with Securities and investments and transactions relating to any relevant Index. Prospective Investors must reach an investment decision only after careful consideration of the suitability of such Securities in light of their particular financial circumstances and the information in the relevant Offering Documents, and might consider conducting their own investigations into the Issuer, its Affiliates and the relevant Index, and consulting with their advisers.

PROSPECTIVE INVESTORS MUST REVIEW THE APPLICABLE FINAL TERMS BEFORE MAKING ANY DECISION TO PURCHASE ANY SECURITIES.

Change of Circumstances: Neither the delivery of any Offering Documents nor any sale of Securities pursuant thereto shall, in any circumstances, create any impression that the information contained therein concerning the Issuer is correct at any time subsequent to the date thereof or that any other information supplied in connection with the iPath® VSTOXX® Programme is correct as of any time subsequent to the date indicated in the document containing the same. Investors should review, *inter alia*, the most recent consolidated financial statements, if any, and any public announcements, if any, of the Issuer, if applicable, when deciding whether to purchase any Securities.

Distribution: The distribution of the Offering Documents and the offer or sale of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession the Offering Documents come are required by the Issuer to inform themselves about and to observe any such restrictions. The Securities have not been and will not be registered under the US Securities Act of 1933, as amended (the “Securities Act”) or with any securities regulatory authority of any state or other jurisdiction of the United States. The Securities are in the form of Global Bearer Securities and therefore may be subject to US tax law requirements. Subject to certain exceptions, Securities may not be offered or sold, or, in the case of Securities subject to US tax law requirements, delivered within the United States or to US persons (as defined in Regulation S under the Securities Act) or to, or for the account or benefit of, US persons (as defined in Regulation S under the Securities Act and/or in the US Internal Revenue Code of 1986 and the regulations thereunder). Details of selling restrictions for various jurisdictions are set out in the section headed “Purchase and Sale” in the Principal Base Prospectus. The information contained therein may be amended from time to time by the applicable Final Terms.

Representations: In connection with the issue and sale of Securities, no person has been authorised to give any information or to make any representation not contained in or consistent with the Offering Documents and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any Manager. The Issuer does not accept responsibility for any information not contained in the Offering Documents. This document does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offering or solicitation and no action is being taken to permit an offering of the Securities or the distribution of this iPath® VSTOXX® Base Prospectus in any jurisdiction where action is required.

No Investment Advice: None of the Principal Base Prospectus, any Base Prospectus Supplement, this iPath® VSTOXX® Base Prospectus or any Final Terms is, nor does it purport to be, investment advice. Unless expressly agreed otherwise with a particular Investor, none of the Issuer or any Manager is acting as an investment adviser or providing advice of any other nature, or assumes any fiduciary obligation, to any Investor in Securities.

References: In this iPath® VSTOXX® Base Prospectus, references to “USD”, “\$”, “US\$” and “US dollars” are to United States dollars, references to “€”, “EUR” and “Euros” are to the Euro and references to “GBP”, “£” and “sterling” are to pounds sterling.

Securities Act: The Securities are being offered and sold outside the United States to non-US persons in reliance on Regulation S (“**Regulation S**”) under the Securities Act. For a description of these and certain further restrictions on offers, sales and transfers of Securities and distribution of the Offering Documents, see “Purchase and Sale” herein and in the Principal Base Prospectus and “Clearance, Settlement and Transfer Systems” herein.

Exchange of Temporary Global Security: Interests in a Temporary Global Security will be exchangeable, in whole or in part, for interests in a Permanent Global Security on or after the date 40 days after the later of the commencement of the offering and the relevant issue date (the “**Exchange Date**”), upon certification as to non-US beneficial ownership.

Verification: No Manager has separately verified the information contained in this iPath® VSTOXX® Base Prospectus. To the fullest extent permitted by law, none of the Managers makes any representation, express or implied, or accepts any responsibility for the contents of this iPath® VSTOXX® Base Prospectus or for any other statement made or purported to be made by a Manager or on its behalf in connection with the Issuer, or the issue and offering of the Securities. Each Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this iPath® VSTOXX® Base Prospectus or any such statement. Each potential purchaser of Securities should determine for itself the relevance of the information contained in this iPath® VSTOXX® Base Prospectus and its purchase of Securities should be based upon such investigation as it deems necessary. None of the Managers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this iPath® VSTOXX® Base Prospectus nor to advise any Investor or potential Investor in the Securities of any information coming to the attention of any of the Managers.

Regulatory Review: The contents of this iPath® VSTOXX® Base Prospectus have not been reviewed or approved by any regulatory authority (other than the FSA for the purposes of the Prospectus Directive).

Defined Terms: Unless otherwise defined, capitalised terms used in this iPath® VSTOXX® Base Prospectus have the meanings set out in the Conditions. In addition, in this iPath® VSTOXX® Base Prospectus:

“**AMF**” means the French Financial Markets Regulatory Authority (*Autorité des Marchés Financiers*);

“**BaFin**” means the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*);

“**Conditions**” means the terms and conditions of the relevant Securities;

“**CONSOB**” means the Commissione Nazionale per le Società e la Borsa;

“**Euroclear France**” means Euroclear France S.A.;

“**Euronext Paris**” means Euronext Paris S.A.;

“**Frankfurt Stock Exchange**” means the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*);

“**French Market**” means the Regulated Market maintained by Euronext Paris;

“**French Official List**” means the official list of Euronext Paris;

“**German Market**” means the Regulated Market (General Standard) (*Regulierter Markt General Standard*) of the Frankfurt Stock Exchange;

“**German Official List**” means the official list of the Frankfurt Stock Exchange;

“**Index**” means the index specified in the applicable Final Terms, being either (a) the EURO STOXX 50® Volatility Mid-Term Futures Total Return Index described in “Description of the Index” in this iPath VSTOXX® Base Prospectus or (b) any other index linked to the VSTOXX® Futures that may be described in a supplement to this iPath VSTOXX® Base Prospectus from time to time;

“**Investor**” means any person intending to acquire or acquiring any Securities;

“**Italian Market**” means the Electronic Securitised Derivatives Market (SeDeX) of the Italian Stock Exchange;

“**Italian Official List**” means the official list of the Italian Stock Exchange;

“**Italian Stock Exchange**” means Borse S.p.A;

“**listed on the Frankfurt Stock Exchange**” shall mean that such Securities have been admitted to trading on the Regulated Market of the Frankfurt Stock Exchange;

“**listed on the London Stock Exchange**” shall mean that such Securities have been admitted to trading on the Regulated Market of the London Stock Exchange;

“**London Stock Exchange**” means the London Stock Exchange plc;

“**Market Maker**” means each entity (if any) specified as such in the applicable Final Terms;

“**Offeror**” means any person offering the Securities;

“**Official List**” means the Official List of the FSA;

“**Prospectus Directive**” means Directive 2003/71/EC;

“**Regulated Market**” means the London Stock Exchange’s Regulated market, the German Market, the French Market and the Italian Market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive); and

“**VSTOXX® Index**” means the EURO STOXX 50® Volatility Index or any successor index thereto.

Table of Contents

	Page
SUMMARY	10
RISK FACTORS	17
INFORMATION INCORPORATED BY REFERENCE.....	38
THE BANK AND THE GROUP	40
TERMS AND CONDITIONS OF THE SECURITIES	48
FORM OF FINAL TERMS	92
FORM OF FINAL TERMS FOR ITALIAN SECURITIES.....	105
DESCRIPTION OF THE INDEX.....	119
CLEARANCE, SETTLEMENT AND TRANSFER SYSTEMS	124
TAXATION	126
PURCHASE AND SALE.....	140
GENERAL INFORMATION	141

SUMMARY

This summary must be read as an introduction to this iPath® VSTOXX® Base Prospectus. Any decision to invest in the Securities should be based on a consideration of this iPath® VSTOXX® Base Prospectus as a whole. No civil liability will attach to the responsible persons solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this iPath® VSTOXX® Base Prospectus. Where a claim relating to the information contained in this iPath® VSTOXX® Base Prospectus is brought before a court in an EEA Member State, the plaintiff may, under the national legislation where the claim is brought, be required to bear the costs of translating this iPath® VSTOXX® Base Prospectus before legal proceedings are initiated.

Unless otherwise defined, capitalised terms used in this Summary shall have the meaning given to them in the Base Conditions.

General Description of the Issuer

Barclays Bank PLC (the “**Issuer**”) is a public limited company registered in England and Wales under number 1026167, with members having limited liability. Its registered and head office is at 1 Churchill Place, London E14 5HP, United Kingdom. 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 Acts 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 Issuer and its subsidiary undertakings (together, the “**Group**”) are a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. Barclays PLC (the “ **Holding Company**”) is the ultimate holding company of the Group and beneficial owner of the Issuer, holding all the issued ordinary share capital.

Summary of the iPath® VSTOXX® Programme

Description:	Programme for the issue of Notes or Certificates. Italian Securities shall be exercisable certificates. Securities are issued pursuant to the Agency Agreement. The terms of any Securities comprise the Base Conditions, as supplemented by the Final Terms.
Manager:	The Issuer and any other Manager specified in the Final Terms.
Issue and Paying Agent:	The Bank of New York Mellon (acting through its London Branch).
Paying Agents:	The Bank of New York Mellon (Luxembourg) S.A. and The Bank of New York Mellon, (acting through its Frankfurt Branch).
Determination Agent:	The Issuer.
Distribution:	Syndicated or non-syndicated.
Status of Securities:	Direct, unsubordinated and unsecured obligations of the Issuer ranking equally among themselves and with all its other present and future unsecured and unsubordinated obligations (except for obligations

preferred by law). The Securities do not evidence deposits, are not insured or guaranteed by any government or agency or under the UK Government credit guarantee scheme.

Listing:	Securities may be listed on the London Stock Exchange and/or the Frankfurt Stock Exchange and/or Euronext Paris and/or any other recognised stock exchanges specified in the applicable Final Terms. Italian Securities may be listed on the Italian Stock Exchange if so specified in the applicable Final Terms.
Applications may be made to admit Securities to:	The Official List and to trading on the London Stock Exchange's Regulated market and/or the German Official List and to trading on the German Market and/or the French Official List and to trading on the French Market and/or to any other Relevant Stock Exchange. Application may be made to admit Italian Securities to the Italian Official List and to trading on the Italian Market.
Market Makers:	The Market Makers for each Series of Securities will be specified in the Final Terms.
Relevant Clearing Systems:	For Securities: Euroclear France, Euroclear, Clearstream Luxembourg or Clearstream Frankfurt, and/or any clearing system in the Final Terms. For CDIs, to the extent applicable, CREST.
Expenses and Taxation:	Securityholders must pay all Taxes and/or Settlement Expenses (in respect of Securities other than Italian Securities), arising from the ownership, transfer, sale, redemption or cancellation of Securities and/or receipt or transfer of any Optional Cash Settlement Amount, Securityholder Optional Settlement Amount, Early Cash Settlement Amount or Final Cash Settlement Amount. Unless otherwise required by law, all payments on the Securities will be made free and clear of, and without withholding or deduction for, any present or future Taxes. Where such withholding or deduction is required by law, the Issuer will, unless otherwise specified in the Conditions, pay additional amounts to Securityholders.
Governing Law:	English law.
Issue Price:	The Issue Price may be par or at a discount to, or premium over, par.
Currencies:	Securities may be issued in any currency.
Specified Denomination and Number:	Notes may be issued in one or more specified denominations and Certificates may be issued in any number.
Calculation Amount per Security:	Payments and deliveries in respect of Securities will be determined by reference to the Calculation Amount for such Security.
Maturities:	Any maturity.
Method of Issue:	Securities are issued in one or more Series. Each Series may be issued in Tranches on the same or different issue dates. Securities fungible with an existing Series may also be issued.
Form:	Global Bearer Securities in CGN form delivered on or prior to the original issue date of the relevant Tranche to Clearstream, Frankfurt as depository

for itself. Interests in the Securities may also be cleared through Euroclear and Clearstream, Luxembourg using the bridge between Clearstream, Frankfurt and Clearstream, Luxembourg.

The Cleared Securities will be issued under circumstances such that they will be treated as issued in registered form for U.S. federal income tax purposes.

For dematerialised CREST Depository Interests (“CDIs”), where applicable, Investors will hold CDIs constituted and issued by CREST Depository Limited and representing indirect interests in the Securities. CDIs will be issued and settled through CREST.

Terms:	Securities are zero-coupon, exchange traded notes and are redeemable for cash. Return on each Series of Securities is linked to the performance of the Index.
Settlement:	<p>Cash settlement (subject to satisfaction of all applicable conditions to settlement, including payment or deduction of Taxes and Settlement Expenses).</p> <p>The Early Cash Settlement Amount may be adjusted for costs, losses and expenses (if any) incurred (or expected to be incurred) by or on behalf of the Issuer in connection with the early redemption of Securities (other than Italian Securities).</p>
Final Redemption of Securities:	Securities will be redeemed at maturity at their Final Cash Settlement Amount.
Call Option:	Securities may be redeemed early by the Issuer exercising its Call Option at (i) their Optional Cash Settlement Amounts, in respect of Securities other than Italian Securities; and (ii) their Redemption Value, in respect of Italian Securities.
Securityholder Put Option:	If ‘Securityholder Put Option’ is specified as being applicable in the applicable Final Terms, Securities may be redeemed early, at their Securityholder Optional Settlement Amount, by a Securityholder, holding at least the minimum aggregate nominal amount or a number, as applicable, of Securities.
Consequences of an Additional Disruption Event:	Conditions of Securities may be adjusted and/or Securities redeemed early at their Early Cash Settlement Amount.
Selling Restrictions:	The offer and sale of the Securities and the distribution of the Offering Documents may be restricted in certain jurisdictions. Details of selling restrictions for various jurisdictions are set out in the section headed “Purchase and Sale” in the Principal Base Prospectus, as supplemented by the section “Purchase and Sale” herein.

Summary of Risk Factors under the iPath® VSTOXX® Programme

- Certain factors which may affect the Issuer's ability to fulfil its obligations under the Securities:
- The Issuer is subject to the same risks as the Group, which include:
- financial performance may be affected by general business and geopolitical conditions, borrower, customer and counterparty credit quality, and by fluctuations in the value or effectiveness of any credit protection it has purchased or any collateral it holds;
 - the Group's businesses, earnings and financial condition have been and will continue to be affected by changes in the overall conditions of the global economy and instability and volatility in global financial markets;
 - the following have affected and will continue to affect the Group's businesses:
 - changes in the level and/or volatility of interest rates, foreign exchange rates, credit spreads, debt, equity and commodity prices and other market factors; and
 - constraints on increasing capital and changes to capital targets and the calculation of capital;
 - liquidity risk, legal risk and insurance risk are inherent in the Group's businesses;
 - operation and financial crime risks are inherent in the Group's operations;
 - governmental policy and regulation may have an adverse effect on the Group's results and operations;
 - being potentially subject to the special resolution regime under The Banking Act 2009. Any share transfer order, asset and liability transfer or exercise of powers by the FSA, the Bank of England and/or HM Treasury under The Banking Act may have an adverse effect on the Group;
 - participation in the Financial Services Compensation Scheme may have a material impact on the Group's results and financial condition;
 - UK Government plans to restructure UK banks and increase the amount of loss-absorbing capital required to be issued by UK banks may, if implemented, have a material impact on the Group's results and financial condition;
 - earnings depend in part on the success of its strategic decisions regarding organic growth and potential acquisitions;
 - operating in highly competitive markets and if unable to perform effectively, its business and results will be adversely affected; and
 - exposure to the risk of changes in tax legislation and interpretation and to increases in corporate and other tax rates in the jurisdictions in which it operates.
- Certain factors are material for the
- the principal of these Securities is at risk. Upon redemption or early redemption, an Investor may not get back some or any of the

purpose of assessing the risks associated with investing in Securities and which may affect the return on, and value of Securities including:

amount originally invested;

- Securities are unsecured obligations of the Issuer;
- settlement disruptions may occur;
- settlement is subject to satisfaction of all applicable conditions to settlement by the Securityholder within the relevant period;
- return and value on Securities may be affected by exchange rate risks, exchange controls, interest rate fluctuations and other rate and price movements;
- limitations on the redemption of Securities may apply;
- Securities may be redeemed early for less than the amount invested by the Securityholder;
- disruption events may result in adjustments to the terms of Securities or the redemption thereof;
- any time lag between valuation and settlement;
- inducements, commissions and fees (if any) paid by the Issuer to Distributors;
- Securities may not provide an effective hedge against the market risk associated with any asset;
- potential conflicts of interest may arise relating to the trading activities of the Issuer and its Affiliates and the interests of Securityholders and the Issuer and its Affiliates have no obligation to consider the interests of Securityholders;
- market disruptions or other events may occur in respect of the exchange underlying the relevant Index;
- payments, deliveries and settlement under Securities (other than Italian Securities) may be subject to deduction of Taxes and Settlement Expenses;
- the Issuer may be substituted (in respect of Securities other than Italian Securities);
- the market value of Securities may be affected by the creditworthiness of the Issuer and/or the Group;
- Investors who hold Securities through CREST through the issuance of CDIs have only indirect interests in the Underlying Securities and will be subject to external provisions; and
- Securities issued in temporary global form exchangeable for a Permanent Global Security will not be eligible for CREST settlement as CDIs. As such, Investors investing in Securities through CDIs will only receive the CDIs after such Temporary Global Security is exchanged for a Permanent Global Security, which could take up to 40 days after the issue of Securities.

In respect of Italian Securities:

- there are potential conflicts of interest between the distributors and the Issuer/Manager where the distributors receive fees payable by

Certain factors are relevant in understanding the risks related to an investment in Securities that are linked to a volatility futures index:

the Issuer/Manager;

- there may be less market liquidity in the secondary market where there is no offer to institutional investors or if the Securities are not admitted to trading on the SeDeX;
- the secondary market price immediately following issue may be less than the Issue Price; and
- if the Securities are publicly offered, the Issuer may withdraw the offer or postpone the Issue Date.
- the return on each Series of Securities is linked to the performance of the relevant Index, which is a volatility index designed to provide Investors with the return from a rolling long position in the fourth, fifth, sixth and seventh month EUREX futures contracts on the VSTOXX® Index. The VSTOXX® Index measures the forward volatility of the EURO STOXX 50® Index as calculated based on the prices of the EURO STOXX 50® Options. The level of the EURO STOXX 50® Index and the prices of the EURO STOXX 50® Options and the level of the VSTOXX® Index may change unpredictably, affecting the value of futures contracts on the VSTOXX® Index and, consequently, the level of the relevant Index and the value of Securities in unforeseeable ways;
- a Daily Fee means that even where the relevant Index Level upon redemption exceeds the initial Index Level on the Strike Date, Investors may receive less than the principal amount of Securities;
- Investors will not benefit from increased value in the relevant Index if such increase is not reflected in the value of the Index on the applicable Valuation Date;
- future prices of the components of the relevant Index that are different relative to their current prices may result in a reduced amount payable upon redemption;
- historical values of the relevant Index or any components of the relevant Index or the VSTOXX® Index should not be taken as an indication of the future performance of the Index or the VSTOXX® Index during the term of Securities;
- changes in laws or regulations may affect the market value of Securities;
- Investors will not receive interest payments on Securities or have rights in the exchange traded futures contracts constituting the components of the relevant Index;
- trading and other transactions by the Issuer or its Affiliates in instruments linked to the Index or components of the relevant Index or the VSTOXX® Index may impair the market value of Securities;
- the Issuer and its Affiliates have no affiliation with STOXX Limited and are not responsible for its public disclosure of information, which may change over time;

- the policies of the sponsor of the Index and changes that affect the composition and valuation of the Index or the components of the relevant Index or the VSTOXX® Index could affect the amount payable on Securities and its market value;
- each Index may in the future include contracts that are not traded on regulated futures exchanges;
- an investment in Securities linked to the Index will not entitle the Investor to the regulatory protections of any regulated futures exchange;
- the Index or any of its underlying components may trade around-the-clock; however, Securities may trade only during regular trading hours in Europe;
- Investors have no recourse to the Index Sponsor or any of the underlying Components of the Index or the VSTOXX® Index; and
- any discontinuance or suspension of calculation or publication of the closing level or price of the Index or the VSTOXX® Index may adversely affect the market value of Securities and the amount that Investors will receive on redemption.

RISK FACTORS

The Securities are unsecured promises of the Issuer and are not secured debt. The return on a Security is linked to the performance of the index underlying that Security. Investing in a Security is not equivalent to investing directly in the components of any underlying index.

This section describes factors to which prospective Investors should have regard when considering an investment in the Securities in addition to those set out in the Principal Base Prospectus (as detailed below).

The risks highlighted below represent the principal risks inherent in investing in the Securities. Each of the risks highlighted below could have a material adverse effect on the Issuer's business, operations, financial condition or prospects, which, in turn, could have a material adverse effect on the return which Investors will receive in respect of Securities. In addition, each of the risks highlighted below could adversely affect the trading price of Securities or the rights of Investors under the Securities and, as a result, Investors could lose some or all of their investment.

The following risk factors shall be read in conjunction with (a) the risk factors set out on pages 265 to 268 inclusive of the Joint Annual Report incorporated herein by reference; and (b) the risk factors set out under the heading "Risks Relating to the Securities" on pages 29 to 48 inclusive and under the heading "Risk Factors Relating to Equity Linked Securities" on pages 81 to 84 inclusive of the Principal Base Prospectus incorporated herein by reference:

Risks related to the Bank and the Group

Business conditions and the general economy

The Bank offers a very broad range of services to personal and institutional customers, including governments. The Group has significant activities in a large number of countries. Consequently, there are many ways in which changes in business conditions and the economy in a single country or region or globally can adversely impact profitability, whether at the level of the Group, the individual business units or specific countries of operation.

During 2011, the economic environment in the Bank's main markets was marked by generally weaker than expected growth and the ongoing sovereign debt crisis in the Eurozone. In the UK, the economy recovered slightly during 2011 although GDP declined slightly in the fourth quarter leading to uncertainty in the near term. The potential for persistent unemployment, higher interest rates and rising inflation may increase the pressure on disposable incomes, affecting an individual's debt service ability with the potential to impact adversely performance in the Group's retail sector. U.S. economic conditions were better than the UK in 2011. However, unemployment is still high, which increases uncertainty in the near term. Credit conditions in Europe remain weak and a depressed housing sector and high unemployment may, in the near term, adversely affect the Group's business operations in this region. The global wholesale environment has been affected by the sovereign debt crisis and business confidence has generally declined. Performance in the near term, therefore, remains uncertain.

The business conditions facing the Group in 2012 globally and in many markets in which the Group operates are subject to significant uncertainties which may in some cases lead to material adverse impacts on the Group's operations, financial condition and prospects, including (for example) higher levels of impairment, lower revenues or higher costs, most notably:

- impact of potentially deteriorating sovereign credit quality, particularly debt servicing and refinancing capability;
- extent and sustainability of economic recovery, including impact of austerity measures on a number of the European economies;
- increase in unemployment due to weaker economies in a number of countries in which the Group operates, fiscal tightening and other austerity measures;
- impact of rising inflation and potential interest rate rises on consumer debt affordability and corporate profitability;
- possibility of further falls in residential property prices in the UK, South Africa and Western Europe;
- potential liquidity shortages increasing counterparty risks;
- potential for large single name losses and deterioration in specific sectors and geographies;
- possible deterioration in remaining credit market exposures;
- potential exit of one or more countries from the Euro as a result of the sovereign debt crisis;
- reduced client activity leading to lower revenues;
- decreases in market liquidity due to economic uncertainty;
- impact on income from uncertain interest and exchange rate environment;
- asset returns underperforming pension liabilities;
- impact of the guidelines from the Basel Committee on Banking Supervision for strengthening capital requirements (“**Basel 3**”) as regulatory rules are finalised;
- impacts on capital ratios from weak profit performance;
- availability and volatility in cost of funding due to economic uncertainty;
- reduction in available depositor and wholesale funding;
- implementation of strategic change and integration programmes across the Group;
- continued regulatory and political focus, driven by the global economic climate;
- impact of new, wide ranging, legislation in various countries coupled with changing regulatory landscape;
- increasingly litigious environment; and
- the crisis management agenda and breadth of regulatory change required in global financial institutions.

Credit risk

Credit risk is the risk of the Group suffering financial loss if any of its customers, clients or market counterparties fails to fulfil their contractual obligations to the Group. The granting of credit is one of the Group’s major sources of income and, as the most significant risk, the Group dedicates considerable resources to its control. The credit risk that the Group faces arises mainly from wholesale and retail loans and advances together with the counterparty credit risk arising from derivative contracts entered into with its clients. Other sources of credit risk arise from trading activities, including debt securities, settlement

balances with market counterparties, available for sale assets and reverse repurchase loans. However, credit risk may also arise where the downgrading of an entity's credit rating causes a fall in the value of the Group's investment in that entity's financial instruments. Specific issues and scenarios where credit risk could lead to higher impairment charges in 2012 and subsequent years include:

Sovereign risk and the Eurozone crisis

Credit conditions will deteriorate in a recessionary environment, such as that recently seen in the UK, U.S., the Eurozone and other economies. Deteriorating credit conditions will impact exposures to retail and wholesale counterparties, including a country's government or its agencies (via sovereign risk) thus impairing or reducing the value of the Group's credit assets. Fiscal deficits continue to remain high, leading to high levels of public debt in some countries at a time of modest GDP growth. This has led to a loss of market confidence in certain countries to which the Group is exposed causing deteriorating sovereign credit quality (particularly in relation to debt servicing and refinancing) which, if it were to continue, may have a material adverse effect on the Group's results of operations, financial condition and prospects.

In particular, concerns about the Eurozone crisis remain very high. The large sovereign debts and/or fiscal deficits of a number of European countries have raised concerns regarding the financial condition of financial institutions, insurers and other corporates (i) located in these countries; (ii) that have direct or indirect exposure to these countries (both to sovereign debt and private sector debt); and/or (iii) whose banks, counterparties, custodians, customers, service providers, sources of funding and/or suppliers have direct or indirect exposure to these countries. The default, or a further decline in the credit rating, of one or more sovereigns or financial institutions could cause severe stress in the financial system generally and could adversely affect the markets in which the Group operates and the businesses and economic condition and prospects of the Group's counterparties, customers, suppliers or creditors, directly or indirectly, in ways which it is difficult to predict.

The impact of these conditions could adversely affect the Bank and the solvency of its counterparties, custodians, customers and service providers; its credit rating; its share price; the value and liquidity of its assets and liabilities; and the ability of the Bank or the Group to meet its obligations under the Notes and under its debt obligations more generally.

Economic weakness

In a recessionary environment, such as that seen in past years in the UK, the U.S. and other economies, credit risk increases. In particular, the implementation of austerity measures to tackle high levels of public debt has negatively impacted economic growth and led to rising unemployment in some European countries and the monetary, interest rate and other policies of central banks and regulatory authorities may also have a significant adverse effect on a number of countries in which the Group operates. The threat of weaker economies in a number of countries in which the Group operates could lead to even higher levels of unemployment, rising inflation, potentially higher interest rates and falling property prices. For example, the Spanish and Portuguese housing sectors continue to be depressed, impacting the Group's wholesale and retail credit risk exposures and the Group has experienced elevated impairment across its operations in these countries. Poor economic performance in one or more of the countries in which the Group operates may have a material adverse effect on the Group's results of operations, financial condition and prospects.

In addition, if funding capacity in either the wholesale markets or central bank operations were to change significantly, liquidity shortages could result which may lead to increased counterparty risk with other financial institutions. This could also have an impact on refinancing risks in the corporate and retail

sectors. This could have a material adverse effect on the Group's results of operations, financial condition and prospects.

Credit market exposures

The Bank holds certain exposures to credit markets that became illiquid during 2007. These exposures primarily relate to commercial real estate and leveraged finance loans. Although the Group continues to actively manage down these exposures, there is no guarantee that this will be successful. Failure to manage down these exposures effectively could have a material adverse effect on the Group's results of operations, financial condition and prospects.

Market risk

Market risk is the risk of the Group suffering financial loss due to the Group being unable to hedge its balance sheet at prevailing market levels. The Group can be impacted by changes in both the level and volatility of prices (for example, interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates). Specific issues and scenarios where market risk could lead to lower revenues in 2012 and subsequent years include:

Reduced client activity and decreased market liquidity

The impact of ongoing economic uncertainty on client volumes, reduced market liquidity and higher volatility could lead to lower revenues and could result in a material adverse effect on the Group's results of operations, financial condition and prospects.

Non-traded interest rate risk

Interest rate volatility can impact the Bank's net interest margin. The potential for future volatility and margin changes remains and it is difficult to predict with any accuracy changes in absolute interest rate levels, yield curves and spreads. Such changes may have a material adverse effect on the Group's results of operations, financial condition and prospects.

Pension fund risk

Adverse movements between pension assets and liabilities for defined benefit could contribute to a pension deficit.

Funding risk

Funding risk is the risk that the Bank is unable to achieve its business plans due to liquidity risk, capital risk or the management of structural balance sheet risks.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations as they fall due as a result of a sudden, and potentially protracted, increase in net cash outflows. Such outflows would deplete available cash resources for client lending, trading activities and investments. These outflows could be principally through customer withdrawals, wholesale counterparties removing financing, collateral posting requirements or loan draw-downs. This risk is inherent in all banking operations and can be affected by a range of Group-specific and market-wide events which can result in (i) an inability to support normal business activity; or (ii) a failure to meet liquidity regulatory requirements.

During periods of market dislocation, the Group's ability to manage liquidity requirements may be impacted by a reduction in the availability of wholesale term funding as well as an increase in the cost of raising wholesale funds. Asset sales, balance sheet reductions and the increasing costs of raising funding will affect the earnings of the Group.

In illiquid markets, the Group may decide to hold assets rather than securitising, syndicating or disposing of them. This could affect the Group's ability to originate new loans or support other customer transactions as both capital and liquidity are consumed by existing or legacy assets.

In addition, the introduction of capital controls or new currencies by countries to mitigate current stresses could have a consequential effect on performance of the balance sheets of certain Group companies based on the asset quality, types of collateral and mix of liabilities.

Capital risk

Capital risk is the risk that the Group is unable to maintain appropriate capital ratios which could lead to (i) an inability to support business activity; (ii) a failure to meet regulatory requirements; or (iii) changes to credit ratings.

Regulators assess the Group's capital position and target levels of capital resources on an ongoing basis and there have been a number of recent developments in regulatory capital requirements, including increases, which are likely to have a significant impact on the Group (such as Basel 3 and its proposed implementation in the EU under the Capital Requirements Regulation and the Fourth Capital Requirements Directive ("CRD 4")). Increased capital requirements and changes to what is defined to constitute capital may constrain the Group's planned activities and could increase costs and contribute to adverse impacts on the Group's earnings. During periods of market dislocation, increasing the Group's capital resources in order to meet targets may prove more difficult or costly.

Structural balance sheet risk

Structural balance sheet risk relates to the management of non-contractual risks and predominantly arises from the impact on the Bank's balance sheet of changes in primarily interest rates on income or foreign exchange rates on capital ratios. It is difficult to predict with any accuracy changes in interest rates or foreign exchange rates and such changes may have a material adverse effect on the Group's results of operations, financial condition and prospects.

Operational risk

Operational risk is the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events. Operational risks are inherent in the Group's business activities and are typical of any large enterprise. Major sources of operational risk include:

- inadequate selection and ongoing management of external suppliers;
- a reporting mis-statement or omission within external financial or regulatory reporting;
- dishonest behaviour with the intent to make a gain or cause a loss to others;
- inadequate protection of information in accordance with its value and sensitivity;
- inadequate design, assessment and testing of products and services;
- failure in operation of payments processes;
- insufficient people or capabilities and/or inappropriate behaviours and/or unsafe working environments;
- unavailability of premises to meet business requirements or inadequate protection of physical assets, employees and customers against criminal, terrorist and adverse political activities;
- failure to develop and deploy secure, stable and reliable technology solutions; and

- failure in the management of critical transaction processes.

These risks can result in financial and non-financial impacts, legal or regulatory breaches and reputational damage.

Notwithstanding anything contained in this risk factor, it should not be taken as implying that the Bank will be unable to comply with its obligations as a company with securities admitted to the Official List nor that it, or its relevant subsidiaries, will be unable to comply with its or their obligations as supervised firms regulated by the FSA.

In addition, other major areas of operational risk include (i) regulatory risk; (ii) legal and litigation risk; (iii) cybersecurity risk; and (iii) taxation risk.

Regulatory risk

Regulatory risk arises from a failure or inability to comply fully with the laws, regulations or codes applicable specifically to the financial services industry which are currently subject to significant changes. Non-compliance could lead to fines, public reprimands, damage to reputation, increased prudential requirements, enforced suspension of operations or, in extreme cases, withdrawal of authorisations to operate.

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 UK, EU, U.S. and elsewhere, which are all subject to change. The regulatory response to the financial crisis has led and will continue to lead to very substantial regulatory changes in the UK, EU and U.S. and in other countries in which the Group operates. It has also (amongst other things) led to (i) a more assertive approach being demonstrated by the authorities in many jurisdictions; and (ii) enhanced capital and liquidity requirements (for example pursuant to CRD 4). Any future regulatory changes may restrict the Group's operations, mandate certain lending activity and impose other, significant compliance costs.

Areas where changes could have significant adverse impacts include:

- general changes in government or regulatory policy that may significantly influence investor decisions in particular markets in which the Group operates;
- general changes in 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;
- further developments in the financial reporting environment;
- differentiation amongst financial institutions by governments with respect to the extension of guarantees to customer deposits and the terms attaching to those guarantees;
- implementation of, or costs related to, local customer or depositor compensation or reimbursement schemes; and
- the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act, which contains far reaching regulatory reform (including restrictions on proprietary trading and fund-related activities (the so-called "Volcker rule")). The full impact on the Group's businesses and markets will not be known until the principal implementing rules are adopted in final form by governmental authorities, a process which is underway and which will take effect over several years.

Three specific matters that directly impact the Group, and may have materially adverse consequences for the Group, are the Independent Commission on Banking (the “ICB”), the Banking Act 2009 (the “Banking Act”) and the Financial Services Compensation Scheme (the “FSCS”).

ICB

The ICB was charged by the UK Government with reviewing the UK banking system and its findings were published on 12 September 2011. The ICB recommended (amongst other things) that: (i) the UK and EEA retail banking activities of a UK bank or building society should be placed in a legally distinct, operationally separate and economically independent entity (so-called “ring-fencing”); and (ii) the loss-absorbing capacity of ring-fenced banks and UK-headquartered global systemically important banks (such as the Bank) should be increased to levels higher than the Basel 3 proposals. The UK Government published a white paper setting out its proposals for taking forward implementation of the ICB recommendations in June 2012 and indicated that primary and secondary legislation will be completed by May 2015, with UK banks required to be compliant by 1 January 2019. Changes to the structure of UK banks and an increase in the amount of loss-absorbing capital issued by UK banks may have a material adverse impact on the Bank’s and the Group’s results and financial condition. It is also not possible to predict the detail of the implementation legislation or the ultimate consequences for the Group.

Banking Act

The Banking Act provides a regime to allow the FSA, the UK Treasury and the Bank of England to resolve failing banks in the UK. Under the Banking Act, these authorities are given powers, including (a) the power to issue share transfer orders pursuant to which all or some of the securities issued by a bank may be transferred to a commercial purchaser or Bank of England entity; and (b) the power to transfer all or some of the property, rights and liabilities of the UK bank to a purchaser or Bank of England entity. A share transfer order can extend to a wide range of securities including shares and bonds issued by a UK bank (including the Bank) or its holding company (Barclays PLC) and warrants for such shares and bonds. The Banking Act powers apply regardless of any contractual restrictions and compensation may be payable in the context of both share transfer orders and property appropriation.

The Banking Act also gives the Bank of England the power to override, vary or impose contractual obligations between a UK bank or its holding company and its former group undertakings for reasonable consideration, in order to enable any transferee or successor bank of the UK bank to operate effectively. There is also power for the Treasury to amend the law (excluding provisions made by or under the Banking Act) for the purpose of enabling it to use the regime powers effectively, potentially with retrospective effect. In addition, the Banking Act gives the Bank of England statutory responsibility for financial stability in the UK and for the oversight of payment systems.

FSCS

Banks, insurance companies and other financial institutions in the UK are subject to the FSCS which operates when an authorised firm is unable or is likely to be unable to meet claims made against it because of its financial circumstances. Most deposits made with branches of the Bank within the European Economic Area (the “EEA”) which are denominated in Sterling or other currencies are covered by the FSCS. Most claims made in respect of investment business will also be protected claims if the business was carried on from the UK or from a branch of the bank or investment firm in another EEA member state. The FSCS is funded by levies on authorised UK firms such as the Bank. As at 31 December 2011, the Group had accrued £58 million (2010: £63 million) for its share of the levies. The provision is based on estimates of the Group’s market participation in the relevant charging periods and the interest the FSCS will pay on the facilities provided by HM Treasury in support of its obligations to depositors of banks declared in default

(such facilities were, as at 31 December 2011, estimated by the Group to amount to £18.5 billion). While it is anticipated that the substantial majority of these facilities will be repaid wholly from recoveries from the institutions concerned, there is the risk of a shortfall, such that the FSCS may place additional levies on FSCS participants. As at the date of this iPath® VSTOXX® Base Prospectus, it was not possible to estimate the amount of any potential additional levies or the Group's share. Consequently, in the event that the FSCS raises funds, raises those funds more frequently or significantly increases the levies to be paid by firms, the associated costs to the Group may have a material impact on the Group's results and financial condition.

Legal and litigation 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:

- 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 in an adverse way;
- intellectual property (such as trade names of the Group) may not be adequately protected; and
- liability for damages may be incurred to third parties harmed by the conduct of the Group's business.

The Group also faces risk where legal proceedings are brought against it. The Group is, and may in the future be, involved in various disputes, legal proceedings and regulatory investigations in various jurisdictions, including in the U.S. Regardless of whether such claims have merit, the outcome of legal proceedings is inherently uncertain and could result in significant financial loss. Furthermore, the Group, like many other financial institutions, has come under greater regulatory scrutiny in recent years and expects that environment to continue particularly as it relates to compliance with new and existing corporate governance, employee compensation, conduct of business, anti-money laundering and anti-terrorism laws and regulations, as well as applicable international sanctions regimes. Defending legal proceedings and regulatory investigations is often expensive and time-consuming and there is no guarantee that all costs incurred will be recovered even if the Group is successful.

Adverse regulatory action or adverse judgments in legal proceedings could result in significant financial penalties and losses, restrictions or limitations on the Group's operations or have a significant adverse effect on the Group's reputation or results of operations, financial condition or prospects or result in a loss of value in securities issued by the Group.

Payment Protection Insurance risk

During 2011, the Bank agreed with the FSA that it would process all on-hold and any new complaints from customers about payment protection insurance ("PPI") policies. The Bank also announced that, as a goodwill gesture, it would pay out compensation to customers who had PPI complaints put on hold during the judicial review. A provision of £1 billion was recognised in the second quarter of 2011 to cover the cost of future redress and administration. On 26 April 2012, following an increase in PPI complaint volumes, the Bank announced that it had increased the provision by a further £300 million.

There are a number of assumptions which underpin the provision, including assumptions as to (i) the volume and number of claims; (ii) the percentage of claims that are upheld as being valid upon review; and (iii) the expected average payment to customers for upheld claims, which are subjective and liable to change. Consequently, there could be a change in the provision in the event that there is a significant

change in the volume and number of customer claims, uphold rates or average payment. Any increase in the level of the provision may have a material adverse effect on the Group's results of operations, financial condition and prospects.

Cybersecurity risk

The Bank recognises the growing threats from cyberspace to our systems, including in respect of customer and our own information held on them and transactions processed through these systems. As at the date of this iPath® VSTOXX® Base Prospectus, the Bank was not aware of any significant breaches of its systems from cyberspace. However, given the increasing sophistication and scope of potential attacks from cyberspace, it is possible that in the future such attacks may lead to significant breaches. Failure to manage cybersecurity risk adequately could impact the Group materially and adversely and could have a negative impact on the Group's performance or reputation.

Taxation risk

Taxation risk is the risk that the Group suffer losses arising from additional tax charges, financial penalties or reputational damage associated with failure to comply with procedures required by tax authorities, changes in tax law and the interpretation of tax law. The Group is subject to the tax laws in all countries in which it operates, including tax laws adopted at an EU level, and is impacted by a number of double taxation agreements between countries. 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.

Risks related to the Securities

Even if the level of the underlying Index at maturity or upon redemption is greater than it was on the inception date, Investors may receive less than the principal amount of the Securities

Since the Daily Fee reduces the amount of Investors' return at maturity or upon redemption, and the Daily Fee and the redemption charge reduce the amount of Investors' return upon early redemption, the Index underlying the Securities will need to increase significantly in order for Investors to receive at least the principal amount of their investment at maturity or upon redemption. Because, in the determination of the Redemption Value, the Daily Fee is calculated and subtracted on a daily basis, the net effect of the fee accumulates over time and is subtracted at the relevant rate per year as is specified in the Final Terms. Therefore, if the level of the Index does not increase or the increase in the level of the Index underlying the Securities is insufficient to offset the negative effect of the Daily Fee (and, in the case of early redemption, the redemption charge), or the level of the Index underlying the Securities decreases, Investors will receive less than the principal amount of their investment at maturity or upon redemption and may receive zero. The Securities are not principal protected. They may return less than the original investment, or even zero.

Early redemption or cancellation of Securities

The Issuer may elect to redeem the Securities early at their Optional Cash Settlement Amount or upon the occurrence of an Additional Disruption Event at their Cash Settlement Amount. If the Securities are redeemed or cancelled prior to their Redemption Date, the Issuer will take this into account when determining the relevant Settlement Amount, and deduct therefrom an amount in respect of all costs, losses and expenses (if any) incurred (or expected to be incurred) by or on behalf of the Issuer in connection with the redemption or cancellation of the Securities, including without duplication or limitation, hedging unwind and funding breakage costs. Such costs, losses and expenses will reduce the amount received by Securityholders on redemption or cancellation and may reduce the Settlement Amount to zero. The Issuers are not under any duty to hedge themselves at all or in any particular manner,

and are not required to hedge themselves in a manner that would (or may be expected to) result in the lowest costs, losses and expenses.

PROVIDED THAT, in respect of the Italian Securities, if, on any Valuation Date, the Redemption Value of each Italian Security is determined by the Determination Agent to be either (i) an amount equal to or in excess of the product of the Calculation Amount per Security and the Trigger Multiple as set out in the Final Terms or (ii) an amount equal to or less than the Calculation Amount per Security divided by the Trigger Multiple, the Issuer may elect to redeem such Italian Securities early by payment of the Redemption Value determined a specified number of Business Days prior to the relevant date of early redemption. In addition, Italian Securities may be redeemed early by payment of the Early Cash Settlement Amount following an Additional Disruption Event, an Event of Default, or in circumstances where it is illegal or physically impracticable for the Issuer to perform its obligations in respect of the Italian Securities in whole or in part.

An issuer call feature of Italian Securities is likely to limit the market value of any Italian Securities. In all circumstances where Italian Securities are redeemed early, an Investor should consider their potential reinvestment risk in these circumstances prior to investing in such Italian Securities and should be aware that the amount payable in respect of such Italian Securities may be less than their original investment.

Where the Issuer exercises its option to redeem the Securities, Investors should note that the redemption amount may be based on the Redemption Value of the Securities on a number of dates

The Issuer has a right to redeem at its sole discretion some or all of the Securities early at their Optional Cash Settlement Amount upon the giving of at least 20 Business Days' notice to the Securityholders. Where such an option is exercised by the Issuer, the redemption amount of the relevant Securities may not be based on the Redemption Value of the Securities as of a single date. Instead, the redemption amount of the relevant Securities may be based on the Redemption Value of the Securities as of a number of dates during the relevant Issuer Notice Period and the Issuer will determine at its sole discretion (a) such dates and (b) the number of securities to be redeemed on such dates.

Currency Risks

While the relevant Market Maker for the Securities may provide quotes in currencies different from the Settlement Currency (including the Investor's home currency), Investors should note that when the Issuer redeems the Securities upon a Redemption on the Redemption Date, Early Redemption at the option of the Issuer, Early Redemption following the occurrence of an Additional Disruption Event and Early Redemption at the Option of the Securityholder, they would receive the settlement amounts in the Settlement Currency only. Investors in such Securities may, hence, be exposed not only to the performance of the relevant Index but also to the performance of such Settlement Currency as well as the relative performance of such Settlement Currency against their home currency, both of which cannot be predicted.

Prospective Investors should be aware that foreign exchange rates are, and have been, highly volatile and determined by supply and demand for currencies in the international foreign exchange markets, which are subject to economic factors, including inflation rates in the countries concerned, interest rate differences between the respective countries, economic forecasts, international political factors, currency convertibility and safety of making financial investments in the currency concerned, speculation and measures taken by governments and central banks (e.g. imposition of regulatory controls or taxes, issuance of a new currency to replace an existing currency, alteration of the exchange rate or exchange characteristics by devaluation or revaluation of a currency or imposition of exchange controls with respect

to the exchange or transfer of a specified currency that would affect exchange rates as well as the availability of a specified currency).

Foreign exchange fluctuations between an Investor's home currency and the Settlement Currency may affect Investors who intend to convert gains or losses from the redemption of Securities into their home currency.

Investors will not benefit from any increase in the Index Level if such increase is not reflected in the Index on the applicable Valuation Date

If the positive effect of any increase in the level of the Index underlying the Securities is insufficient to offset the negative effect of the Daily Fee (and in the case of early redemption, the redemption charge) between the inception date and the applicable Valuation Date (including the Final Valuation Date), the Issuer will pay Investors less than the principal amount of the Securities at maturity or upon redemption. This will be true even if the level of the Index underlying the Securities as of some date or dates prior to the applicable Valuation Date would have been sufficiently high to offset the negative effect of the Daily Fee and redemption charge.

Investors will not receive interest payments on the Securities or have rights in respect of any of the futures contracts included in the Index

Investors will not receive any periodic interest payments on the Securities. Investors will not have rights that Investors in the index components included in the Index underlying the Securities may have. The Securities will be paid in cash, and Investors will have no right to receive delivery of any equity securities comprising the EURO STOXX 50® Index, of any dividends or distributions relating to such securities, of payment or delivery of amounts in respect of the options used to calculate the level of the VSTOXX® Index or of payment or delivery of amounts in respect of the futures contracts included in the Index underlying the Securities.

The VSTOXX® Index is a theoretical calculation and is not a tradable index

The VSTOXX® Index is a theoretical calculation and cannot be traded on a spot price basis. The settlement price at maturity of the VSTOXX® Index futures contained in the Index is based on this theoretically derived calculation. As a result, the behaviour of the futures contracts may be different from futures contracts whose settlement price is based on a tradable asset.

There are restrictions on the minimum number of Securities or the minimum aggregate nominal amount of Securities, as applicable, Investors may redeem and on the dates on which Investors may redeem them

Investors must redeem at least the minimum number of Securities or the minimum aggregate nominal amount of Securities, as applicable, of the same series as specified in the Final Terms at one time and pay a redemption charge in order to exercise the right to redeem the Securities on any redemption date. Investors may only redeem the Securities on a redemption date if the Issuer receives a notice of redemption from the Investor by no later 12.00 noon, London time on the business day prior to the applicable Valuation Date.

PROVIDED THAT, in respect of Italian Securities, in exercising a Securityholder Put Option, an Investor must exercise such option in respect of a number of such Italian Securities equal to or greater than the minimum number of such Italian Securities specified in the applicable Final Terms. Investors should note that a redemption charge will be applied in respect of any amounts payable in relation to such early

redemption. Investors may exercise such Security Put Option by delivering a notice in accordance with the Conditions that is effective during the Securityholder Option Exercise Period.

The market value of the Securities may be influenced by many unpredictable factors

The market value of the Securities may fluctuate between the date of purchase and the applicable Valuation Date. Investors may also sustain a significant loss if the Securities are sold in the secondary market. The Issuer expects that generally the value of the index components and Index will affect the market value of the Securities more than any other factor. However, several other factors, many of which are beyond the Issuer's control, will influence the market value of the Securities. Factors that may influence the market value of the Securities include (but are not limited to):

- the level of the underlying Index;
- prevailing market prices and forward volatility levels of the European stock markets, the equity securities included in the EURO STOXX 50[®] Index and the VSTOXX[®] Index, and prevailing market prices of options on the EURO STOXX 50[®] Index, the VSTOXX[®] Index, options on the VSTOXX[®] Index, relevant futures contracts on the VSTOXX[®] Index, or any other financial instruments related to the EURO STOXX 50[®] Index and the VSTOXX[®] Index;
- supply and demand for the Securities, including inventory positions with any market maker;
- the time remaining to the maturity of the Securities;
- interest rates;
- economic, financial, political, regulatory, geographical, biological or judicial events that affect the level of the underlying Index or the market price or forward volatility of the European stock markets, the equity securities included in the EURO STOXX 50[®] Index, the VSTOXX[®] Index or the relevant futures contracts on the VSTOXX[®] Index;
- the perceived creditworthiness of Barclays Bank PLC;
- supply and demand in the listed and over-the-counter equity derivative markets; and
- supply and demand as well as hedging activities in the equity-linked structured product markets.

These factors interrelate in complex ways, and the effect of one factor on the market value of the Securities may offset or enhance the effect of another factor.

A Security is linked to the Index and not linked to the VSTOXX[®] Index and the value of the Security may be less than it would have been had the Security been linked to the VSTOXX[®] Index

The value of the Securities will be linked to the value of the underlying Index, and the ability to benefit from any rise or fall in the level of the VSTOXX[®] Index is limited. The Index underlying the Securities is based upon holding a rolling long position in futures on the VSTOXX[®] Index. These futures will not necessarily track the performance of the VSTOXX[®] Index. The Securities may not benefit from increases in the level of the VSTOXX[®] Index because such increases will not necessarily cause the level of the Index to rise. Accordingly, a hypothetical investment that was linked directly to the VSTOXX[®] Index (if it was investable) could generate a higher return than the Securities.

The VSTOXX® Index is a measure of forward volatility of the EURO STOXX 50® Index and a Security is not linked to the options used to calculate the VSTOXX® Index, to the actual volatility of the EURO STOXX 50® Index or the equity securities included in the EURO STOXX 50® Index, nor will the return on the Security be a participation in the actual volatility of the EURO STOXX 50® Index

The VSTOXX® Index measures the 30-day forward volatility of the EURO STOXX 50® Index as calculated based on the prices of certain put and call options on the EURO STOXX 50® Index. The actual volatility of the EURO STOXX 50® Index may not conform to a level predicted by the VSTOXX® Index or to the prices of the put and call options included in the calculation of the VSTOXX® Index. The value of the Securities is based on the value of the Index and the relevant futures on the VSTOXX® Index included in the Index underlying the Securities. The Securities are not linked to the realised volatility of the EURO STOXX 50® Index and will not reflect the return that would be realised if Investors owned the equity securities underlying the EURO STOXX 50® Index or if Investors traded the put and call options used to calculate the level of the VSTOXX® Index.

Changing prices of the futures contracts included in the Index may result in a reduced amount payable at maturity or upon redemption

The Index is composed of futures contracts on the VSTOXX® Index. Unlike equities, which typically entitle the holder to a continuing stake in a corporation, futures contracts normally specify a certain date for delivery of the underlying asset or for settlement in cash based on the level of the underlying asset. As the futures contracts that comprise the Index approach expiration, they are replaced by similar contracts that have a later expiration. Thus, for example, a futures contract purchased and held in August may specify a September expiration. As time passes, the contract expiring in September may be replaced by a contract for delivery in October. This process is referred to as “rolling”. If the market for these contracts is (putting aside other considerations) in “backwardation”, which means that the prices are lower in the distant delivery months than in the nearer delivery months, the sale of the September contract would take place at a price that is higher than the price of the October contract, thereby creating a “roll yield”. The actual realisation of a potential roll yield will be dependent upon the level of the related VSTOXX® Index price relative to the unwind price of the relevant VSTOXX® Index futures contract at the time of hypothetical sale of the contract. The contracts included in the Index have not historically exhibited consistent periods of backwardation, and backwardation will most likely not exist at many, if not most, times. Moreover, many of the contracts included in the Index have historically traded in “contango” markets. Contango markets are those in which the prices of contracts are higher in the distant delivery months than in the nearer delivery months. VSTOXX® Index futures have frequently exhibited very high contango in the past, resulting in a significant cost to “roll” the futures. The existence of contango in the futures markets could result in negative “roll yields”, which could adversely affect the value of the Index underlying the Securities and, accordingly, decrease the payment Investors receive at maturity or upon redemption.

The level of the VSTOXX® Index has historically reverted to a long-term mean level and any increase in the spot level of the VSTOXX® Index will likely continue to be constrained

In the past, the level of the VSTOXX® Index has typically reverted over the longer term to a historical mean, and its absolute level has been constrained within a band. It is likely that the spot level of the VSTOXX® Index will continue to do so in future, especially when the current economic uncertainty recedes. If this happens, the value of futures contracts on the VSTOXX® Index will likely decrease, reflecting the market expectation of reduced volatility in the future, and the potential upside of an investment in the Securities will correspondingly be limited as a result.

The policies of the Index Sponsor and EUREX and changes that affect the composition and valuation of the EURO STOXX 50® Index, the VSTOXX® Index or the underlying Index could affect the amount payable on the Securities and their market value

The policies of the Index Sponsor and EUREX concerning the calculation of the level of the EURO STOXX 50® Index, the VSTOXX® Index and the underlying Index, respectively, and any additions, deletions or substitutions of equity securities or options contracts and the manner in which changes affecting the equity securities, options contracts or futures contracts are reflected in the EURO STOXX 50® Index, the VSTOXX® Index or the underlying Index, respectively, could affect the value of the underlying Index and, therefore, the amount payable on the Securities at maturity or upon redemption and the market value of the Securities prior to maturity.

STOXX Limited can add, delete or substitute the equity securities underlying the EURO STOXX 50® Index or make other methodological changes that could change the level of the EURO STOXX 50® Index. STOXX Limited can also add, delete or substitute the futures contracts underlying the Index or make other methodological changes that could change the level of the Index. The changing of equity securities included in the EURO STOXX 50® Index may affect the EURO STOXX 50® Index, as a newly added equity security may perform significantly better or worse than the equity security or securities it replaces. Such a change may also affect the value of the put and call options used to calculate the level of the VSTOXX® Index. The changing of the futures contracts underlying the Index may affect the performance of the Index in similar ways. Additionally, STOXX Limited may alter, discontinue or suspend calculation or dissemination of the EURO STOXX 50® Index or the Index. Any of these actions could adversely affect the value of the Securities. STOXX Limited has no obligation to consider Investors' interests in calculating or revising the EURO STOXX 50® Index or the Index.

STOXX Limited can make methodological changes to the calculation of the VSTOXX® Index that could affect the value of futures contracts on the VSTOXX® Index and, consequently, the value of the Securities. There can be no assurance that STOXX Limited will not change the VSTOXX® Index calculation methodology in a way which may affect the value of the Securities. Additionally, STOXX Limited may alter, discontinue or suspend calculation or dissemination of the VSTOXX® Index and/or the exercise settlement value. Any of these actions could adversely affect the value of the Securities. STOXX Limited has no obligation to consider Investor interests in calculating or revising the VSTOXX® Index or in calculating the exercise settlement value.

If events such as these occur or, on any Determination Date, the Index Sponsor fails to calculate and announce the Index, or the Index is permanently cancelled or ceases to exist, the Determination Agent shall determine if such events have a material effect on the Securities and, if so, shall calculate the level of the Index in accordance with the formula for and method of calculating the Index last in effect prior to the relevant event, as further provided in the Conditions. Any such adjustment may have an adverse effect on the value of the Securities and, if the Determination Agent determines that it can no longer continue to calculate the Index, then it may adjust, redeem or cancel the Securities.

PROVIDED THAT, in respect of Italian Securities, if events such as these occur, on any Determination Date, the Index Sponsor fails to calculate and announce the Index, or the Index is permanently cancelled or ceases to exist, the Determination Agent shall determine if such events have a material effect on the Italian Securities and, if so, shall calculate the level of the Index in accordance with the formula for and method of calculating the Index last in effect prior to the relevant event, as further provided in the Conditions. Any such adjustment may have the adverse effect on the value of the Italian Securities and, if the Determination Agent determines that it can no longer continue to calculate the Index, then it may adjust, redeem or cancel such Italian Securities.

If a Market Disruption Event has occurred or exists on a Valuation Date, the Determination Agent can postpone the determination of the Redemption Value or a Redemption Date

The determination of the value of a Security on a Valuation Date, including the Final Valuation Date, may be postponed if the Determination Agent determines that a market disruption has occurred or is continuing on such Valuation Date. In no event, however, will a Valuation Date for any series of Securities be postponed by more than eight trading days. As a result, the redemption date for a series of Securities could also be postponed, although not by more than eight trading days. If a Valuation Date is postponed until the eighth trading day following the scheduled Valuation Date but a Market Disruption Event occurs or is continuing on such day, that day will nevertheless be the Valuation Date and the Determination Agent shall determine the Index Level as of the Valuation Time on such day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day as further provided in the Conditions. Any such adjustment may have an adverse effect on the value of the Securities.

Postponement of a Valuation Date may result in a reduced amount payable at maturity or upon redemption

As the payment at maturity or upon redemption is a function of, among other things, the applicable daily index factor on the Final Valuation Date or applicable Valuation Date, as the case may be, the postponement of any Valuation Date may result in the application of a different applicable daily index factor and, accordingly, decrease the payment Investors receive at maturity or upon redemption.

The Index may in the future include contracts that are not traded on regulated futures exchanges

The Index is currently based solely on futures contracts traded on regulated futures exchanges. If these exchange traded futures cease to exist, the Index may also cease to exist or may in the future include over-the-counter contracts (such as swaps and forward contracts) traded on trading facilities that are subject to lesser degrees of regulation or, in some cases, no substantive regulation. As a result, trading in such contracts, and the manner in which prices and volumes are reported by the relevant trading facilities, may not be subject to the provisions of, and the protections afforded by applicable statutes and related regulations, that govern trading on regulated European futures exchanges, or similar statutes and regulations that govern trading on regulated UK futures exchanges. In addition, many electronic trading facilities have only recently initiated trading and do not have significant trading histories. As a result, the trading of contracts on such facilities, and the inclusion of such contracts in the Index, may be subject to certain risks not presented by European or UK exchange traded futures contracts, including risks related to the liquidity and price histories of the relevant contracts.

The Index and the VSTOXX® Index futures have limited historical information

The Index underlying the Securities was created in October 2010 and the Index Sponsor has published limited information about how the Index would have performed had it been calculated in the past. In addition, futures on the VSTOXX® Index have only traded freely since 19 September 2005, and not all futures of all relevant maturities have traded at all times since that date.

Because the Index and the VSTOXX® Index futures that underlie them are of recent origin and limited or no historical performance data exist with respect to them, investment in the Securities may involve a greater risk than investing in alternate securities linked to one or more indices with an established record of performance. A longer history of actual performance may have been helpful in providing more reliable information on which to assess the validity of the proprietary methodology that the Index makes use of as the basis for an investment decision.

Historical levels of comparable indices should not be taken as an indication of the future performance of the Index during the term of the Securities

It is impossible to predict whether the Index underlying the Securities will rise or fall. The actual performance of the Index over the term of their respective series of Securities, as well as the amount payable at maturity or upon redemption, may bear little relation to the historical levels of comparable indices, which in most cases have been highly volatile.

Changes in the EONIA rate of interest may affect the value of the Index and the Securities

Because the value of the Index is linked, in part, to the rate of interest that could be earned on reinvestment into the Index of the return on the notional value of the Index based on the Euro Overnight Index Average (“EONIA”) rate, changes in the EONIA rate of interest may affect the amount payable on the Securities at maturity or upon redemption and, therefore, the market value of the Securities. Assuming the trading prices of the index components included in the Index to which the Securities are linked remain constant, an increase in the EONIA rate of interest will increase the value of the Index and, therefore, the value of the Securities. A decrease in the EONIA rate of interest will adversely impact the value of the Index and, therefore, the value of the Securities.

There may not be an active trading market in the Securities; sales in the secondary market may result in significant losses

At any time, the price at which Securities trade in the secondary market on the trading platform relating to the Relevant Stock Exchange (if any) may not accurately reflect the Redemption Value of the relevant Securities. The role of the Market Makers is intended to minimise such potential difference or “tracking error”. However, no assurance can be given that this will be effective in minimising such potential difference and the market price of Securities will be a function of supply and demand among Investors wishing to buy and sell Securities and the bid/offer spread that Market Makers are willing to quote for the Securities.

While the Market Makers intend to make a market for the Securities, such market may not be liquid. Therefore, Investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Securities that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of Investors. These types of Securities would generally have a more limited secondary market and greater price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Securities.

There can be no assurance as to the depth of the secondary market (if any) in the Securities, a factor which will affect their liquidity and market price.

The liquidity of the market for the Securities may vary materially over time

The number or aggregate nominal amount, as applicable of Securities of any series outstanding or held by persons other than the Issuer’s affiliates could be reduced at any time due to early redemptions of the Securities. Accordingly, the liquidity of the market for any series of Securities could vary materially over the term of the Securities. Investors may elect to redeem the Securities prior to maturity. Early redemption is subject to the conditions and procedures described elsewhere in this iPath® VSTOXX® Base Prospectus, including the conditions that Investors must pay a redemption charge and redeem at least the requisite

minimum number of Securities or minimum aggregate nominal amount of Securities, as applicable, of the same series at one time in order to exercise the right to redeem the Securities on any redemption date.

The policies of the Index Sponsor and changes that affect the Index methodology or the futures contracts underlying an Index could affect the amount payable on the Securities and their market value

The policies of the Index Sponsor concerning the calculation of the level of the Index could affect the value of the Index and, therefore, the amount payable on the Securities at maturity or upon redemption and the market value of the Securities prior to maturity.

The Index Sponsor may modify the methodology for calculating the value of the Index or make certain other changes to the way in which the Index is calculated. The Index Sponsor may also discontinue or suspend calculation or publication of the Index, in which case it may become difficult to determine the market value of the Index. Any such changes could adversely affect the value of the Securities.

If events such as these occur, or if the value of the Index is not available or cannot be calculated because of a Market Disruption Event or for any other reason, the Determination Agent may be required to make a good faith estimate in its sole discretion of the value of the Index.

Trading and other transactions by Barclays Bank PLC or its affiliates in instruments linked to the equity Securities underlying the EURO STOXX 50® Index or instruments linked to the Index, the VSTOXX® Index, the EURO STOXX 50® Index, or the equity securities underlying the EURO STOXX 50® Index may impair the market value of the Securities

The Issuer or one or more of its affiliates may hedge the Issuer's obligations under any series of Securities by purchasing or selling equity securities underlying the EURO STOXX 50® Index or listed or over-the-counter options, futures, swaps or other derivative financial instruments linked to the Index, the VSTOXX® Index (including the VSTOXX® Index futures which are used to calculate the Index), the EURO STOXX 50® Index (including the put and call options used to calculate the level of the VSTOXX® Index) and the equity securities underlying the EURO STOXX 50® Index, and the Issuer may adjust these hedges by, among other things, purchasing or selling any of the foregoing. Although not expected to, any of these hedging activities may adversely affect the market price of those items and, therefore, the market value of the Securities. It is possible that the Issuer or one or more of its affiliates could receive substantial returns from these hedging activities while the market value of the Securities declines.

The Issuer or one or more of its affiliates may also engage in trading in equity securities underlying the EURO STOXX 50® Index or listed or over-the-counter options, futures, swaps or other derivative financial instruments linked to the Index, the VSTOXX® Index (including the VSTOXX® Index futures which are used to calculate the Index), the EURO STOXX 50® Index (including the put and call options used to calculate the level of the VSTOXX® Index) and the equity securities underlying the EURO STOXX 50® Index on a regular basis as part of its general broker-dealer and other businesses, for proprietary accounts, for other accounts under management or to facilitate transactions for customers. Any of these activities could adversely affect the market price of those items and, therefore, the market value of the Securities. The Issuer or one or more of its affiliates may also issue or underwrite other securities or financial or derivative instruments with returns linked or related to changes in the performance of any of the foregoing. By introducing competing products into the marketplace in this manner, the Issuer or one or more of its affiliates could adversely affect the market value of the Securities. With respect to any of the activities described above, neither Barclays Bank PLC nor its affiliates has any obligation to take the needs of any buyer, seller or holder of the Securities into consideration at any time.

Our business activities may create conflicts of interest

The Issuer and its affiliates expect to play a variety of roles in connection with the issuance of the Securities.

As noted above, the Issuer and its affiliates expect to engage in trading activities related to equity securities underlying the EURO STOXX 50® Index or listed or over-the-counter options, futures, swaps or other derivative financial instruments linked to the Index, the VSTOXX® Index (including the VSTOXX® Index futures which are used to calculate the Index), the EURO STOXX 50® Index (including the put and call options used to calculate the level of the VSTOXX® Index) and the equity securities underlying the EURO STOXX 50® Index that are not for the account of holders of the Securities or on their behalf. These trading activities may present a conflict between the holders' interest in the Securities and the interests that the Issuer and its affiliates will have in its and its affiliates' proprietary accounts, in facilitating transactions, including options and other derivatives transactions, for its and its affiliates' customers and in accounts under its and its affiliates' management. These trading activities, if they influence the level of the Index, the VSTOXX® Index, the EURO STOXX 50® Index or any financial instrument linked thereto, could be adverse to the interests of the holders of the Securities.

Moreover, the Issuer and its affiliates may have published and in the future may publish research reports with respect to equity securities underlying the EURO STOXX 50® Index or listed or over-the-counter options, futures, swaps or other derivative financial instruments linked to the Index, the VSTOXX® Index (including the VSTOXX® Index futures which are used to calculate the Index), the EURO STOXX 50® Index (including the put and call options used to calculate the level of the VSTOXX® Index) and the equity securities underlying the EURO STOXX 50® Index. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Securities. The research should not be viewed as a recommendation or endorsement of the Securities in any way.

Any of these activities by the Issuer or its affiliates may affect the market price of equity securities underlying the EURO STOXX 50® Index or listed or over-the-counter options, futures, swaps or other derivative financial instruments linked to the Index, the VSTOXX® Index (including the VSTOXX® Index futures which are used to calculate the Index), the EURO STOXX 50® Index (including the put and call options used to calculate the level of the VSTOXX® Index) and the equity securities underlying the EURO STOXX 50® Index and, therefore, the market value of the Securities. With respect to any of the activities described above, neither Barclays Bank PLC nor its affiliates has any obligation to take the needs of any buyer, seller or holder of the Securities into consideration at any time.

There are potential conflicts of interest between the Investors and the Determination Agent

Currently, Barclays Bank PLC serves as the Determination Agent. The Determination Agent will, among other things, decide the amount of the return paid out to the Investors on the Securities of any series at maturity or upon redemption of that series.

If the Index Sponsor were to discontinue or suspend calculation or publication of the Index, it may become difficult to determine the market value of the Securities of the relevant series. If events such as these occur, or if the value of the Index is not available or cannot be calculated because of a Market Disruption Event or for any other reason, the Determination Agent may be required to make a good faith estimate in its sole discretion of the value of the Index.

The Determination Agent will exercise its judgement when performing its functions. For example, the Determination Agent may have to determine whether a Market Disruption Event affecting the Index has

occurred or is continuing on a Valuation Date, including the Final Valuation Date. This determination may, in turn, depend on the Determination Agent's judgements as to whether the event has materially interfered with its ability to unwind its or the Issuer's affiliates' hedge positions. Since these determinations by the Determination Agent may affect the market value of the Securities of any series, the Determination Agent may have a conflict of interest if it needs to make any such decision.

Investors who hold Securities through CREST through the issuance of CDIs will not be the legal owners of the Securities underlying the CDIs; such CDIs will be issued to Investors pursuant to the CREST Deed Poll that will bind such Investors; fees, charges, costs and expenses may be incurred in connection with the use of the CREST International Settlement Links Service; and neither the Issuer nor any Paying Agent will have any responsibility for the performance by any intermediaries of their respective obligations under the rules and procedures governing their operations

Risks in respect of CDIs

If issued, CDIs will be delivered, held and settled in CREST by means of the CREST International Settlement Links Service. Prospective Investors in CDIs should consider the following risks:

- (i) Investors in CDIs will not be the legal owners of the Underlying Securities to which such CDIs relate. CDIs are separate legal instruments from the Underlying Securities and represent indirect interests in the interests of CREST International Nominees Limited in such Underlying Securities. CDIs will be issued by the CREST Depository to Investors and will be governed by English law.
- (ii) The Underlying Securities (as distinct from the CDIs representing indirect interests in such Underlying Securities) will be held in an account with a custodian. The custodian will hold the Underlying Securities through a clearing system (Euroclear or another clearing system having bridge arrangements with Euroclear). Rights in the Underlying Securities will be held through custodial and depository links through the appropriate clearing systems. The legal title to the Underlying Securities or to interests in the Underlying Securities will depend on the rules of the clearing system in or through which the Underlying Securities are held.
- (iii) Rights in respect of the Underlying Securities cannot be enforced by holders of CDIs except indirectly through the intermediary depositories and custodians described above. The enforcement of rights in respect of the Underlying Securities will therefore be subject to the local law of the relevant intermediary. This will include English law. The rights of holders of CDIs with respect to the Underlying Securities are represented by the entitlements of such holders against the CREST Depository which (through the CREST Nominee) holds interests in the Underlying Securities. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Securities in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying Securities held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.
- (iv) Holders of CDIs will be bound by all provisions of the CREST Deed Poll and by all provisions of or prescribed pursuant to the CREST Manual dated 7 September 2009 as amended, modified, varied or supplemented from time to time (the "CREST Manual") and the CREST Rules (contained in the CREST Manual) applicable to the CREST International Settlement Links

Service. Holders of CDIs must comply in full with all obligations imposed on them by such provisions.

- (v) Prospective Investors in CDIs should note that the provisions of the CREST Deed Poll, the CREST Manual and the CREST Rules contain indemnities, warranties, representations and undertakings to be given by holders of CDIs and limitations on the liability of the CREST Depository as issuer of the CDIs.
- (vi) Holders of CDIs may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the money invested by them.
- (vii) Prospective Investors in CDIs should note that holders of CDIs may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service. These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the Underlying Securities through the CREST International Settlement Links Service.
- (viii) Prospective Investors in CDIs should note that none of the Issuer, any Manager or any Agent will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders acting in connection with CDIs or for the respective obligations of such intermediaries, participants or accountholders under the rules and procedures governing their operations.
- (ix) Prospective Investors in CDIs should note that Securities issued as a Temporary Global Security exchangeable for a Permanent Global Security will not be eligible for CREST settlement through CDIs. As such, Investors investing in Underlying Securities through CDIs will only receive the CDIs after such Temporary Global Security is exchanged for a Permanent Global Security, which could take up to 40 days after the issue of the Underlying Securities.

Risks relating to Italian Securities

Potential conflicts of interest relating to distributors

Potential conflicts of interest may arise where the Italian Securities are offered to the public, as the manager(s) and any distributors will act pursuant to a mandate granted by the Issuer and/or the Manager and will receive commissions and/or fees on the basis of the services performed and the outcome of the placement of the Italian Securities.

Possible illiquidity of Italian Securities in the secondary market where there is no offer to institutional Investors

There may be less liquidity in the secondary market for Italian Securities if the Italian Securities are exclusively offered to retail Investors without any offer to institutional Investors.

After listing of the Securities on the Italian Market, the Issuer (or an entity on behalf of the Issuer) will, for so long as the rules of the Italian Market so require, display continuous “bid” and “offer” prices for Italian Securities, in accordance with the rules of the Italian Market.

The appointment of an entity acting as market-maker or liquidity provider with respect to the Italian Securities on the secondary market, may, under certain circumstances, have a relevant impact on the price of the Italian Securities on the secondary market.

Valuation of Italian Securities in the secondary market

Investors should note that, in certain circumstances immediately following an issue of Italian Securities, the secondary market price of the Italian Securities may be less than the Issue Price if the Issue Price included commissions and/or fees paid by the Issuer to distributor(s).

Certain considerations relating to public offers of the Italian Securities

If the Italian Securities are distributed by means of a public offer, under certain circumstances indicated in the applicable Final Terms, the Issuer and/or the other entities indicated in the Final Terms, will have the right to withdraw the offer, and the latter will be deemed to be null and void according to the terms indicated in the applicable Final Terms. In such case, Investors who have already paid or delivered the subscription amounts in respect of such Securities will be entitled to the reimbursement of such subscription amounts but there may be a time lag in making any reimbursements, no amount will be payable as compensation and the applicant may be subject to reinvestment risk.

Furthermore, under certain circumstances, the Issuer and/or the other entities indicated in the applicable Final Terms, will have the right to postpone the originally-designated issue date. In the event that the issue date is so delayed, no compensation shall be payable.

INFORMATION INCORPORATED BY REFERENCE

Any documents themselves incorporated by reference in the documents incorporated by reference in this iPath® VSTOXX® Base Prospectus shall not form part of this iPath® VSTOXX® Base Prospectus. The following information (unless otherwise expressly stated below) has been filed with the FSA and shall be incorporated in, and form part of, this iPath® VSTOXX® Base Prospectus:

- the Terms and Conditions set out on pages 29 to 55 of the iPath® VSTOXX® Base Prospectus dated 14 October 2010 (the “**2010 iPath® VSTOXX® Base Prospectus**”);
- Part D (Terms and Conditions of the Securities) of the supplement dated 22 November 2010 to the 2010 iPath® VSTOXX® Base Prospectus;
- the Terms and Conditions set out on pages 32 to 60 of the iPath® VSTOXX® Base Prospectus dated 9 February 2012;
- the global structured securities programme base prospectus dated 14 June 2012 (the “**Principal Base Prospectus**”) that has been approved by the UK Listing Authority except for (a) the documents incorporated therein by reference, (b) the Summary (pages 9 to 17 inclusive), (c) Information Relating to the Issuers (pages 124 to 133), (d) the Pro Forma Final Terms (pages 134 to 234 inclusive), (e) the Terms and Conditions of the Securities (pages 235 to 322 inclusive), (f) the Relevant Annexes (pages 323 to 1125 inclusive) save for the Equity Linked Annex (pages 550 to 663 inclusive) which is incorporated herein by reference, (g) Book-Entry Procedures for Rule 144A Global Securities deposited with DTC (pages 1126 to 1128 inclusive), (h) Clearance, Settlement and Transfer Restrictions (pages 1129 to 1136 inclusive), (i) Taxation (pages 1139 to 1166 inclusive), (j) the subsection entitled “Republic of Italy” (pages 1175 to 1176) falling within the section entitled “Purchase and Sale” and (k) General Information (pages 1192 to 1194 inclusive), and provided that (X) capitalised terms in the Principal Base Prospectus shall have the meanings given herein (to the extent defined herein) and (Y) references to “Put Option” in the Principal Base Prospectus shall be deemed to be references to “Securityholder Put Option” (as defined herein);
- the Annual Reports of the Bank containing the audited consolidated financial statements of the Bank in respect of the years ended 31 December 2010 (the “**2010 Bank Annual Report**”) and 31 December 2011 (the “**2011 Bank Annual Report**”), respectively;
- the joint Annual Report of the Bank and Barclays PLC, as filed with the U.S. Securities and Exchange Commission on Form 20-F in respect of the years ended 31 December 2010 and 31 December 2011 (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 iPath® VSTOXX® Base Prospectus; and
- the unaudited Interim Management Statement of Barclays PLC as filed with the SEC on Form 6-K on Film Number 12784750 on 26 April 2012 in respect of the three months ended 31 March 2012.

The above documents may be inspected at the registered office of each Issuer and at the specified office of the Issue and Paying Agent as described in the section entitled “GENERAL INFORMATION” of this iPath® VSTOXX® Base Prospectus.

Any information contained in any of the documents specified above which is not incorporated by reference in this iPath® VSTOXX® Base Prospectus is either not relevant for the Investor or is covered elsewhere in this iPath® VSTOXX® Base 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:

Corporate Governance Report	3
Directors' report.....	17
Board of Directors	21
Citizenship	22
People	26
Remuneration Report.....	27
Risk Management.....	40
Financial Review.....	132
Financial Statements	166
Independent Registered Public Accounting Firm's report for Barclays PLC.....	168
Consolidated Financial Statements Barclays PLC.....	169
Notes to the Financial Statements.....	176
Shareholder Information	247
Additional Information.....	261
Independent Registered Public Accounting Firm's report for Barclays Bank PLC.....	295
Barclays Bank PLC Data.....	296

Each of the Bank and Barclays PLC has applied International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and as adopted by the European Union (the “EU”) in the financial statements incorporated by reference above. A summary of the significant accounting policies for each of the Bank and Barclays PLC is included in each of the Joint Annual Report, the 2010 Bank Annual Report and the 2011 Bank Annual Report.

THE BANK AND THE GROUP

The Bank is a public limited company registered in England and Wales under number 1026167. The liability of the members of the Bank is limited. It has its registered and head office at 1 Churchill Place, London, E14 5HP, United Kingdom (telephone number +44 (0)20 7116 1000). The Bank 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 Acts 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, the Bank was re-registered as a public limited company and its name was changed from “Barclays Bank International Limited” to “Barclays Bank PLC”.

The Bank 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 with an extensive international presence in Europe, United States, Africa and Asia. The whole of the issued ordinary share capital of the Bank is beneficially owned by Barclays PLC, which is the ultimate holding company of the Group.

The short term unsecured obligations of the Bank are rated A-1 by Standard & Poor's Credit Market Services Europe Limited, P-1 by Moody's Investors Service Ltd. and F1 by Fitch Ratings Limited and the long-term obligations of the Bank are rated A+ by Standard & Poor's Credit Market Services Europe Limited, A2 by Moody's Investors Service Ltd. and A by Fitch Ratings Limited.

Based on the Group's audited financial information for the year ended 31 December 2011, the Group had total assets of £1,563,402 million (2010: £1,490,038 million), total net loans and advances¹ of £478,726 million (2010: £465,741 million), total deposits² of £457,161 million (2010: £423,777 million), and total shareholders' equity of £65,170 million (2010: £62,641 million) (including non-controlling interests of £3,092 million (2010: £3,467 million)). The profit before tax from continuing operations of the Group for the year ended 31 December 2011 was £5,974 million (2010: £6,079 million) after credit impairment charges and other provisions of £3,802 million (2010: £5,672 million). The financial information in this paragraph is extracted from the audited consolidated financial statements of Barclays Bank PLC for the year ended 31 December 2011.

¹ Total net loans and advances include balances relating to both bank and customer accounts.

² Total deposits include deposits from bank and customer accounts.

Acquisitions, Disposals and Recent Developments

Disposal of stake in BlackRock, Inc.

On 22 May 2012, the Bank announced that it had agreed to dispose of the Bank's entire holding in BlackRock, Inc. (“BlackRock”) pursuant to an underwritten public offer and a partial buy-back by BlackRock. On disposal, the Bank expects to receive net proceeds of U.S.\$5.5 billion (£3.5 billion).

Disposal of private equity fund interests to AXA Private Equity

On 30 June 2011, the Bank announced that it had signed a definitive agreement to dispose of a €520 million portfolio of U.S. and European private equity interests held and managed by the Bank to AXA Private Equity. The portfolio includes investments in private equity funds as well as several direct private equity interests

held by the Bank but does not include any investments managed by Barclays Private Equity. The disposal was completed on 30 September 2011.

Acquisition of Egg's UK credit card assets

On 1 March 2011, the Bank announced that it agreed to acquire Egg's UK credit card assets. Under the terms of the transaction, the Bank purchased Egg's UK credit card accounts, consisting of approximately 1.15 million credit card accounts with approximately £2.3 billion of gross receivables (each estimated as at 31 January 2011 with gross receivables estimated under IFRS). The acquisition was completed on 28 April 2011.

Competition and Regulatory Matters

Regulatory change

The scale of regulatory change remains challenging with a significant tightening of regulation and changes to regulatory structures globally, especially for banks that are deemed to be of systemic importance. Concurrently, there is continuing political and regulatory scrutiny of the operation of the banking and consumer credit industries which, in some cases, is leading to increased or changing regulation which is likely to have a significant effect on the industry. Examples include Basel 3, the emerging proposals on bank resolution regimes and proposals relating to over-the-counter derivatives clearing and global systemically important banks.

In the UK, the FSA's current responsibilities are to be reallocated between the Prudential Regulatory Authority (a subsidiary of the Bank of England) and a new Financial Conduct Authority. In addition, the ICB completed its review of the UK banking system and published its final report on 12 September 2011. The ICB recommended (amongst other things) that: (i) the UK and EEA retail banking activities of a UK bank or building society should be placed in a legally distinct, operationally separate and economically independent entity (so-called "ring-fencing"); and (ii) the loss-absorbing capacity of ring-fenced banks and UK-headquartered global systemically important banks (such as the Bank) should be increased to levels higher than the Basel 3 proposals. The UK Government published a white paper setting out its proposals for taking forward implementation of the ICB recommendations in June 2012 and indicated that primary and secondary legislation will be completed by May 2015, with UK banks required to be compliant by 1 January 2019.

The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act contains far reaching regulatory reform. The full impact on the Bank's businesses and markets will not be known until the principal implementing rules are adopted in final form by governmental authorities, a process which is underway and which will take effect over several years.

PPI

On 20 April 2011, the judicial review proceedings brought by the British Bankers' Association in October 2010 against the FSA and the Financial Ombudsman Service regarding the assessment and redress of PPI complaints were dismissed. On 9 May 2011, the Bank announced that it would not be participating in any application for permission to appeal against the High Court judgment and that the Bank had agreed with the FSA that it would process all on-hold and any new complaints from customers about PPI policies that they hold. The Bank also announced that, as a goodwill gesture, it would pay out compensation to customers who had PPI complaints put on hold during the judicial review. The Bank took a provision of £1

billion in the second quarter of 2011 to cover the cost of future redress and administration. On 26 April 2012, following an increase in PPI complaint volumes, the Bank announced that it had increased the provision by a further £300 million.

Interchange

The Office of Fair Trading, as well as other competition authorities elsewhere in Europe, continues to investigate Visa and MasterCard credit and debit interchange rates. These investigations may have an impact on the consumer credit industry as well as having the potential for the imposition of fines. Timing is uncertain but outcomes may be known within the next 2-4 years.

London Interbank Offered Rate and Euro Interbank Offered Rate

The FSA, the U.S. Commodity Futures Trading Commission (the “CFTC”), the SEC, the U.S. Department of Justice Fraud Section (the “DOJ-FS”) and Antitrust Division and the European Commission are amongst various authorities conducting investigations (the “Investigations”) into submissions made by the Bank and other panel members to the bodies that set various interbank offered rates, such as the London Interbank Offered Rate (“LIBOR”) and the Euro Interbank Offered Rate (“EURIBOR”).

On 27 June 2012, the Bank announced that it had reached settlements with the FSA, the CFTC and the DOJ-FS in relation to the Investigations. The Bank has agreed to pay total penalties of £290 million (pounds sterling equivalent), by entry into a Settlement Agreement with the FSA, a Non-Prosecution Agreement with the DOJ-FS and a Settlement Order Agreement with the CFTC. In addition, the Bank has been granted conditional leniency from the Antitrust Division of the Department of Justice in connection with potential US antitrust law violations with respect to financial instruments that reference EURIBOR.

The Bank has also been named as a defendant in a number of class action and other lawsuits filed in U.S. federal courts involving claims by purported classes of purchasers and sellers of LIBOR-based derivative products or Eurodollar futures or options contracts between 2006 and 2009 (on behalf of themselves individually and/or on behalf of classes of such purchasers and sellers). The complaints are substantially similar and allege, amongst other things, that the Bank and other banks individually and collectively violated U.S. antitrust, racketeering and commodities laws and state common law by suppressing LIBOR rates during the relevant period.

As at the date of this iPath® VSTOXX® Base Prospectus, it was not possible to predict the ultimate resolution of the issues covered by the lawsuits, including the timing and the scale of the potential impact on the Group of any resolution.

Interest Rate Hedging Products

On 29 June 2012, the FSA announced that it had reached agreement with a number of UK banks (including the Bank) in relation to appropriate redress to be provided to small and medium sized enterprises regarding the sale of interest rate hedging products. On 29 June 2012, the Bank announced that it anticipated that the financial impact of remediation costs will not be material to the Group.

Directors

The Directors of the Bank, each of whose business address is 1 Churchill Place, London E14 5HP, United Kingdom, 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	Group Chairman	Non-Executive Director, British Broadcasting Corporation; Chairman, British Bankers' Association
Bob Diamond	Chief Executive	Chairman, Old Vic Productions PLC
Chris Lucas	Group Finance Director	—
David Booth	Non-Executive Director	—
Alison Carnwath	Non-Executive Director	Non-Executive Chairman, Land Securities Group plc; Non-Executive Director, Man Group plc; Independent Director, Paccar Inc; Non-Executive Chairman, ISIS EP LLP; Non-Executive Director, Zurich Financial Services Limited
Fulvio Conti	Non-Executive Director	Chief Executive Officer, Enel SpA; Director, AON Corporation; Independent Director, RCS MediaGroup S.p.A
Simon Fraser	Non-Executive Director	Non-Executive Director, Fidelity Japanese Values Plc and Fidelity European Values Plc; Chairman, Foreign & Colonial Investment Trust PLC; Chairman, Merchants Trust PLC; Non-Executive Director, Ashmore Group PLC
Reuben Jeffery III	Non-Executive Director	Senior Adviser, Center for Strategic & International Studies; Chief Executive Officer, Rockefeller & Co., Inc.
Sir Andrew Likierman	Non-Executive Director	Dean of London Business School; Chairman, National Audit Office
Dambisa Moyo	Non-Executive Director	Non-Executive Director, SABMiller plc; Non-Executive Director, Barrick Gold Corporation
Sir Michael Rake	Senior Independent Director and Non-Executive Director	Chairman, BT Group PLC; Director, McGraw-Hill Companies; Chairman, EasyJet

<i>Name</i>	<i>Function(s) within the Group</i>	<i>Principal outside activities</i>
Sir John Sunderland	Non-Executive Director	PLC Chairman, Merlin Entertainments Group; Non-Executive Director, AFC Energy plc

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

Employees

As at 31 December 2011, the total number of persons employed by the Group (full time equivalents) was 141,100 (2010: 147,500).

Litigation

Lehman Brothers Holdings Inc.

On 15 September 2009, motions were filed in the United States Bankruptcy Court for the Southern District of New York (the “**Court**”) by Lehman Brothers Holdings Inc. (“**LBHI**”), the SIPA Trustee for Lehman Brothers Inc. (the “**Trustee**”) and the Official Committee of Unsecured Creditors of Lehman Brothers Holdings Inc. (the “**Committee**”). All three motions challenged certain aspects of the transaction pursuant to which Barclays Capital Inc. (“**BCI**”) and other companies in the Group acquired most of the assets of Lehman Brothers Inc. (“**LBI**”) in September 2008 and the court order approving such sale. The claimants were seeking an order voiding the transfer of certain assets to BCI; requiring BCI to return to the LBI estate alleged excess value BCI received; and declaring that BCI is not entitled to certain assets that it claims pursuant to the sale documents and order approving the sale (the “**Rule 60 Claims**”). On 16 November 2009, LBHI, the Trustee and the Committee filed separate complaints in the Court asserting claims against BCI based on the same underlying allegations as the pending motions and seeking relief similar to that which is requested in the motions. On 29 January 2010, BCI filed its response to the motions and also filed a motion seeking delivery of certain assets that LBHI and LBI have failed to deliver as required by the sale documents and the court order approving the sale (together with the Trustee’s competing claims to those assets, the “**Contract Claims**”). Approximately U.S.\$4.2 billion (£2.7 billion) of the assets acquired as part of the acquisition had not been received by 31 December 2011, approximately U.S.\$3.0 billion (£2.0 billion) of which were recognised as part of the accounting for the acquisition and are included in the balance sheet as at 31 December 2011. This results in an effective provision of U.S.\$1.2 billion (£0.8 billion) against the uncertainty inherent in the litigation.

On 22 February 2011, the Court issued its Opinion in relation to these matters, rejecting the Rule 60 Claims and deciding some of the Contract Claims in the Trustee’s favour and some in favour of BCI. On 15 July 2011, the Court entered final Orders implementing its Opinion. BCI and the Trustee appealed the ruling and, on 6 June 2012, the U.S. District Court for the Southern District of New York (the “**District Court**”) affirmed two of the Court’s decisions and reversed one. Both BCI and the Trustee have the right to appeal the adverse portions of the District Court’s decision. The Trustee has filed a notice of appeal.

If the final Orders relating to the Contract Claims were to be unaffected by future proceedings, the Bank estimates that after taking into account the effective provision of U.S.\$1.2 billion (£0.8 billion), its loss would be approximately U.S.\$4.3 billion (£2.8 billion). Any such loss, however, was not (as at the date of this

iPath® VSTOXX® Base Prospectus) considered probable and the Bank is satisfied with the current level of provision.

In addition, LBHI had been pursuing a claim for approximately U.S.\$500 million relating to bonuses that BCI was allegedly obligated to pay to former Lehman employees. On 14 September 2011, the Court issued a decision dismissing that claim and entered a final Order to that effect on 21 September 2011. LBHI has stated that it will not appeal that decision, rendering the Order dismissing that claim final.

American Depositary Shares

The Bank, Barclays PLC and various current and former members of Barclays PLC's Board of Directors have been named as defendants in five proposed securities class actions (which have been consolidated) pending in the United States District Court for the Southern District of New York (the “Court”). The consolidated amended complaint, dated 12 February 2010, alleges that the registration statements relating to American Depositary Shares representing Preferred Stock, Series 2, 3, 4 and 5 (the “ADS”) offered by the Bank at various times between 2006 and 2008 contained misstatements and omissions concerning (amongst other things) the Bank’s portfolio of mortgage-related (including U.S. subprime-related) securities, the Bank’s exposure to mortgage and credit market risk and the Bank’s financial condition. The consolidated amended complaint asserts claims under Sections 11, 12(a)(2) and 15 of the Securities Act of 1933. On 5 January 2011, the Court issued an order and, on 7 January 2011, judgment was entered, granting the defendants' motion to dismiss the complaint in its entirety and closing the case. On 4 February 2011, the plaintiffs filed a motion asking the Court to reconsider in part its dismissal order. On 31 May 2011, the Court denied in full the plaintiffs’ motion for reconsideration. The plaintiffs have appealed both decisions (the grant of the defendants’ motion to dismiss and the denial of the plaintiffs’ motion for reconsideration) to the United States Court of Appeals for the Second Circuit.

The Bank considers that these ADS-related claims against it are without merit and is defending them vigorously. As at the date of this iPath® VSTOXX® Base Prospectus, it was not practicable to estimate the Bank’s possible loss in relation to these claims or any effect that they might have upon operating results in any particular financial period.

U.S. Federal Housing Finance Agency and other residential mortgage-backed securities litigation

The U.S. Federal Housing Finance Agency (“FHFA”), acting for two U.S. government sponsored enterprises, Fannie Mae and Freddie Mac (collectively, the “GSEs”), filed lawsuits against 17 financial institutions in connection with the GSEs’ purchases of residential mortgage-backed securities (“RMBS”). The lawsuits allege, among other things, that the RMBS offering materials contained materially false and misleading statements and/or omissions. The Bank and/or certain of its affiliates or former employees are named in two of these lawsuits, relating to sales between 2005 and 2007 of RMBS, in which BCI was lead or co-lead underwriter.

Both complaints demand, among other things: rescission and recovery of the consideration paid for the RMBS; and recovery for the GSEs’ alleged monetary losses arising out of their ownership of the RMBS. The complaints are similar to other civil actions filed against the Bank and/or certain of its affiliates by other plaintiffs, including the Federal Home Loan Bank of Seattle, Federal Home Loan Bank of Boston, Federal Home Loan Bank of Chicago, Cambridge Place Investment Management, Inc., HSH Nordbank AG (and affiliates) and Stichting Pensioenfond ABP, relating to their purchases of RMBS. The Bank considers that the claims against it are without merit and intends to defend them vigorously.

The original amount of RMBS related to the claims against the Bank in these cases totalled approximately U.S.\$6.8 billion, of which approximately U.S.\$2.0 billion was outstanding as at 31 December 2011. Cumulative losses reported on these RMBS as at 31 December 2011 were approximately U.S.\$0.1 billion. If the Bank were to lose these cases it could incur a loss of up to the outstanding amount of the RMBS as at the time of judgment (taking into account further principal payments after 31 December 2011), plus any cumulative losses on the RMBS at such time and any interest, fees and costs, less the market value of the RMBS at such time. The Bank has estimated the total market value of the RMBS as at 31 December 2011 to be approximately U.S.\$1.1 billion. The Bank may be entitled to indemnification for a portion of any losses.

Devonshire Trust

On 13 January 2009, the Bank commenced an action in the Ontario Superior Court (the “Court”) seeking an order that its early terminations earlier that day of two credit default swaps under an ISDA Master Agreement with the Devonshire Trust (“Devonshire”), an asset-backed commercial paper conduit trust, were valid. On the same day, Devonshire purported to terminate the swaps on the ground that the Bank had failed to provide liquidity support to Devonshire's commercial paper when required to do so. On 7 September 2011, the Court ruled that the Bank's early terminations were invalid, Devonshire's early terminations were valid and, consequently, Devonshire was entitled to receive back from the Bank cash collateral of approximately C\$533 million together with accrued interest thereon. The Bank is appealing the court's decision. If the court's decision were to be unaffected by future proceedings, the Bank estimates that its loss would be approximately C\$500 million, less any impairment provisions taken by the Bank for this matter.

Other

Barclays PLC, the Bank and the Group are engaged in various other legal proceedings both in the United Kingdom and a number of overseas jurisdictions, including the United States, involving claims by and against it which arise in the ordinary course of business, including debt collection, consumer claims and contractual disputes. The Bank does not expect the ultimate resolution of any of these proceedings to which the Group is party to have a material adverse effect on its results of operations, cash flows or the financial position of the Group and the Bank has not disclosed the contingent liabilities associated with these claims either because they cannot reliably be estimated or because such disclosure could be prejudicial to the conduct of the claims. Provisions have been recognised for those cases where the Bank is able reliably to estimate the probable loss where the probable loss is not de minimis.

In addition, the Bank has been named as a defendant in a number of lawsuits, including class actions, filed in U.S. federal courts involving claims by purported classes of purchasers and sellers of LIBOR-based derivative products or Eurodollar futures or option contracts between 2006 and 2009. Please see “Competition and Regulatory Matters — London Interbank Offered Rate and Euro Interbank Offered Rate” for further information.

Save as disclosed under “— Lehman Brothers Holdings Inc.”, “— American Depositary Shares”, “— U.S. Federal Housing Finance Agency and other residential mortgage-backed securities litigation”, “— Devonshire Trust” and the second paragraph of “— Other” on pages 43 to 45 above, 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 Bank is aware), which may have or have had during the 12 months preceding the date of this iPath® VSTOXX® Base Prospectus, a significant effect on the financial position or profitability of the Bank and/or the Group.

Significant Change Statement

There has been no significant change in the financial or trading position of the Bank or the Group since 31 December 2011.

Material Adverse Change Statement

There has been no material adverse change in the prospects of the Bank or the Group since 31 December 2011.

Auditors

The annual consolidated and unconsolidated financial statements of the Bank for the two years ended 31 December 2010 and 31 December 2011 have been audited without qualification by PricewaterhouseCoopers of Southwark Towers, 32 London Bridge Street, London SE1 9SY, chartered accountants and registered auditors (authorised and regulated by the Financial Services Authority for designated investment business).

TERMS AND CONDITIONS OF THE SECURITIES

BASE CONDITIONS

The following are the terms and conditions (the “Base Conditions”) that will apply to the Securities, subject to amendment and as supplemented or varied in accordance with the provisions of the applicable Final Terms. These Base Conditions shall be subject to the applicable Final Terms for any Securities, and will not apply to the extent they are inconsistent with the provisions of such Final Terms. Words and expressions defined or used in the applicable Final Terms shall have the same meanings where used in these Base Conditions unless the context otherwise requires or unless otherwise stated. All capitalised terms that are not defined in Base Condition 23 or elsewhere in these Base Conditions will have the meanings given to them in the applicable Final Terms. References in these Base Conditions to “Securities” are to the Securities of one Series only, not to all Securities that may be issued under this iPath® VSTOXX® Base Prospectus.

The Securities are issued as notes (“Notes”) or certificates (“Certificates”) and are senior, unsecured, unsubordinated, zero-coupon, EURO STOXX 50® Volatility Mid-Term Futures Index linked, exchange traded notes (the “Securities” and each a “Security”) issued by Barclays Bank PLC (in its capacity as the issuer of the Securities, the “Issuer” and otherwise, the “Bank”), returns (including repayment of principal and payment of any additional amounts) on which are calculated by reference to the price of an Index, as specified in the Final Terms. The Securities are issued pursuant to an English law governed Master Agency Agreement dated 6 August 2010 between among others, the Issuer and certain agents or such other agency agreement as may be specified in the applicable Final Terms in respect of the particular Securities (the “Agency Agreement”) (in each case as amended and/or supplemented and/or restated as at the Issue Date).

These Base Conditions include summaries of, and are subject to, the provisions of the Agency Agreement. Copies of the Agency Agreement are available for inspection at the registered office of the Issuer and the specified offices of the Paying Agents. The determination agent, the issue and paying agent, and the paying agents for the time being (including the Issue and Paying Agent) are referred to below respectively as the “Determination Agent”, the “Issue and Paying Agent”, and the “Paying Agents”. In respect of any issue of Securities, “Agents” means the Determination Agent and the Issue and Paying Agent together with the other Paying Agents, and any other agent or agents appointed from time to time in respect of such Securities.

Unless otherwise specified in the applicable Final Terms, the initial Agents shall be as follows:

- (i) the initial Determination Agent shall be the Bank;
- (ii) the initial Issue and Paying Agent shall be The Bank of New York Mellon (acting through its London branch); and
- (iii) the initial Paying Agents shall be the initial Issue and Paying Agent together with The Bank of New York (Luxembourg) S.A. (the “Luxembourg Agent”) and The Bank of New York Mellon, (acting through its Frankfurt Branch) (the “Frankfurt Agent”).

In connection with any issue of Securities, the Issuer may appoint agents other than, or additional to, the Agents specified above. Such other or additional Agents shall be specified in the applicable Final Terms. References in these Base Conditions or in the applicable Final Terms to Agents shall be to the initial Agents specified above, as applicable, or as specified in the applicable Final Terms, or the then current Successor

(whether direct or indirect) of such Agent appointed in accordance with these Base Conditions and the Agency Agreement with respect to such Securities.

The Securities of any Series are subject to these Base Conditions, as modified and/or supplemented by the terms of the applicable Final Terms. Each Series may be issued in tranches (each a “**Tranche**”) on the same or different issue dates. The specific terms of each Tranche (that will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the Issue Date, Issue Price and, in respect of Notes, the Aggregate Nominal Amount of the Tranche and in respect of Certificates, the number of Certificates, will be identical to the terms of other Tranches of the same Series) will be set out in the applicable Final Terms.

1 Form, Title and Transfer

1.1 Form

(a) *Form of Securities*

Securities will be issued in bearer form. Securities will initially be represented by global bearer securities (“**Global Bearer Securities**”), and may only be exchanged for Securities in definitive form (“**Definitive Bearer Securities**”) if an Exchange Event occurs and Global Bearer Securities are to be exchanged for Definitive Bearer Securities in accordance with the terms of the relevant Global Bearer Security. The Issuer will promptly give notice to Securityholders in accordance with Base Condition 15 if an Exchange Event occurs.

(b) *Initial Issue of Global Bearer Securities*

*Global Bearer Securities will be issued in classic global note form (“**CGN form**”) and will be delivered on or prior to the original issue date of the Tranche to Clearstream, Frankfurt as depositary (in such capacity the “**Depositary**”) for itself. The Bank may issue Securities in CGN Form in respect of which the Relevant Clearing System shall be Clearstream Frankfurt (“**CBF Securities**”).*

(c) *Exchange of Global Bearer Securities*

Securities issued in compliance with the D Rules will be initially issued in the form of a temporary global security in bearer form (a “**Temporary Global Security**”) and will be exchangeable, free of charge to the holder, on and after its Exchange Date, in whole or in part, upon certification as to non-US beneficial ownership in the form set out in the Agency Agreement for interests in a permanent bearer global security (a “**Permanent Global Security**”).

Securities issued in compliance with the C Rules or in respect of which TEFRA does not apply will be initially issued in the form of a Permanent Global Security. Usually and unless specifically agreed between the parties, Securities will be issued in respect of which TEFRA does not apply.

Each Permanent Global Security will be exchangeable, free of charge to the holder, in whole but not in part for Definitive Bearer Securities only upon the occurrence of an Exchange Event.

On or after any due date for exchange, the holder of a Global Bearer Security may surrender such Global Bearer Security. In exchange for any such Global Bearer Security, the Issuer will, in the case of a Global Bearer Security exchangeable for Definitive Bearer Securities, deliver, or procure the delivery of, an equal Aggregate Nominal Amount or aggregate number, as

applicable, of duly executed and authenticated Definitive Bearer Securities. On exchange in full of each Permanent Global Security, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Bearer Securities.

1.2 Denomination

The applicable Final Terms in respect of the Securities that are Notes will specify among other things, the denomination or denominations (each a “**Specified Denomination**”) in which such Securities are issued, together with the Aggregate Nominal Amount, the Issue Price per Security and Settlement Currency of such Securities. In respect of Notes that are issued having multiple Specified Denominations, the applicable Final Terms will specify the Calculation Amount per Security in relation to each Note.

The applicable Final Terms in respect of Securities that are Certificates will specify the Settlement Currency of such Securities, the Issue Price per Security, the number of Securities being issued and the Calculation Amount per Security.

1.3 Title

Title to Securities passes by delivery. Subject to Base Condition 1.4(a), the Issuer and the relevant Agents shall (except as otherwise required by law or ordered by a court of competent jurisdiction) deem and treat the holder (as defined below) of any Security as its absolute owner for all purposes (whether or not such Security is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it (or on the Global Bearer Security representing it) or its theft or loss) and no person shall be liable for so treating the holder.

In these Base Conditions, “**Securityholder**” and “**holder**” mean the bearer of any Security. Any references to “**Noteholder**” or “**Certificateholder**” within the Conditions of Securities issued as Notes or Certificates respectively, shall mean a Securityholder for the purposes of such Securities.

Where CDIs are specified in the applicable Final Terms for a Series of Securities, Securityholders may hold CDIs constituted and issued by CREST Depository Limited and representing indirect interests in the Securities. The CDIs will be issued and settled through CREST.

Neither the Securities nor any rights thereto will be issued, held, transferred or settled within the CREST system otherwise than through the issue, holding, transfer and settlement of CDIs.

Holders of CDIs will not be entitled to deal directly in Securities and accordingly all dealings in the Securities will be effected through CREST in relation to holding of CDIs.

The CDIs will be created pursuant to and issued on the terms of the CREST Deed Poll. Holders of CDIs will have no rights against CREST or its subsidiaries in respect of the Underlying Securities, interests therein, or the CDIs representing them.

1.4 Transfers

(a) *Transfer of Securities*

Subject to Base Condition 1.4(b), Securities will be transferred by delivery.

(b) *Transfer of Cleared Securities*

Notwithstanding Base Condition 1.4(a), transfers of beneficial interests in Cleared Securities may only be effected in accordance with the Relevant Rules.

Investors in the Securities are referred to the Section herein and in the Principal Base Prospectus headed “Purchase and Sale” and the section herein headed “Clearance, Settlement and Transfer Systems”.

2 Status

The Securities constitute unsecured and unsubordinated obligations of the Issuer and rank equally among themselves. The payment obligations of the Issuer under the Securities will rank equally with all other present and future unsecured and unsubordinated obligations of the Issuer (except for such obligations as may be preferred by provisions of law that are both mandatory and of general application). The Securities do not evidence deposits of the Issuer and are not insured by any government agency.

3 Interest

The Securities will not bear interest.

4 Redemption of Securities

Any Securities being redeemed pursuant to this Base Condition 4 shall be settled in accordance with Base Condition 6.

4.1 Redemption

Unless previously redeemed in accordance with this Base Condition 4 or purchased and cancelled in accordance with Base Condition 21, each Security will be redeemed in whole, subject to Base Conditions 5.4 and 8.3, at the Final Cash Settlement Amount on the Redemption Date.

4.2 Early Redemption at the Option of the Issuer

The Issuer may, on giving not less than 20 Business Days' irrevocable notice to Securityholders (such notice an “**Optional Early Redemption Notice**”) (or such other notice period as may be specified in the applicable Final Terms) (such period, the “**Issuer Notice Period**”), provided that such notice is delivered within the Issuer Option Exercise Period and in accordance with Base Conditions 6, 7, 8 and 15 and subject to Base Condition 5.4 redeem some or all of the Securities of the relevant Series in whole (but not in part) at the Optional Cash Settlement Amount on the Optional Cash Redemption Date. The Optional Early Redemption Notice shall specify the Series and the number of Securities of the relevant Series that shall be redeemed pursuant to such Optional Early Redemption Notice (the “**Optional Early Redemption Securities**”). For the avoidance of doubt, if the last day of the relevant Issuer Notice Period is the same date as the Redemption Date, the Securities of the relevant Series shall be redeemed in accordance with this Base Condition 4.2.

In the event that the option of the Issuer is exercised with respect to some but not all of the Securities of any Series and such Securities are Cleared Securities, the rights of account holders with the Relevant Clearing System in respect of the Securities will be governed by the standard

procedures and Relevant Rules.

4.3 Early Redemption or Adjustment following the occurrence of an Additional Disruption Event

If an Additional Disruption Event occurs, the Issuer may, in its sole and absolute discretion:

- (a) request that the Determination Agent determines, in its sole and absolute discretion, whether an appropriate adjustment can be made to the Conditions and any other provisions relating to the Securities to account for the economic effect of such event on the Securities and to preserve substantially the economic effect to the Securityholders of a holding of the relevant Security. If the Determination Agent determines that such adjustment(s) can be made, the Issuer shall determine the effective date of such adjustment(s) and take the necessary steps to effect such adjustment(s). The Issuer shall notify Securityholders of any such adjustment(s) in accordance with Base Condition 15 as soon as reasonably practicable after the nature and effective date of the adjustments is determined, and the Issuer shall not be required to obtain any consent or approval of the Securityholders to effect such adjustment(s). If the Determination Agent determines that no adjustment that could be made would produce a commercially reasonable result and preserve substantially the economic effect to the Securityholders of a holding of the relevant Security, it shall notify the Issuer of such determination and no adjustment(s) shall be made. None of the Determination Agent, the Issuer or any other party shall be liable to any holder, Securityholder or any other person for any determination and/or adjustment made or potential adjustment not made by the Determination Agent and/or the Issuer pursuant to this Base Condition 4.3(a); or
- (b) on giving not less than 10 Business Days' irrevocable notice (or such other notice period as may be specified in the applicable Final Terms) (such period the "**Early Redemption Notice Period**") to Securityholders in accordance with Base Condition 16, redeem all of the Securities of the relevant Series in whole, subject to Base Conditions 5.4, 6, 7 and 8, at their Early Cash Settlement Amount on the Early Cash Redemption Date.

4.4 Early Redemption at the Option of the Securityholder

If "Securityholder Put Option" is specified to apply in the applicable Final Terms, upon the holder of such Security delivering a valid Securityholder Option Exercise Notice to the Issuer, the Issuer shall, subject to Base Conditions 5.4, 6, 7 and 8 and the conditions to exercise set out below, redeem each Security to which such Securityholder Option Exercise Notice relates in whole (but not in part) at its Securityholder Optional Settlement Amount on the Securityholder Optional Redemption Date. For the purposes of these Conditions, "**Securityholder Option Exercise Notice**" means an irrevocable notice in writing, substantially in the form obtainable from any Paying Agent and delivered in respect of the aggregate nominal amount or a number, as applicable, of Securities to be redeemed equal to or greater than the Minimum Securityholder Exercise Amount, which is effective within the Securityholder Option Exercise Period. A Securityholder Option Exercise Notice shall be deemed to be effective on the day (the "**Securityholder Option Exercise Notice Effective Date**" which shall be a Valuation Date and shall be subject to adjustment in accordance with Base Condition 5.4) (i) on which it is delivered (if it is delivered before 12.00 noon London time on any Securityholder Option Exercise Day within the Securityholder Option Exercise Period), or (ii) on the Securityholder Option Exercise Day (if any) next following the date on which it is

delivered (if delivered after 12.00 noon London time on a Securityholder Option Exercise Day or delivered on a day that is not a Securityholder Option Exercise Day).

Notwithstanding anything to the contrary herein, in order to exercise such option the Securityholder must deposit the relevant Securities with any Paying Agent at its specified office together with the duly completed Securityholder Option Exercise Notice. If the Securities are Cleared Securities such option may be exercised by the relevant Securityholder giving a Securityholder Option Exercise Notice to the Issue and Paying Agent through the Relevant Clearing Systems stating the nominal amount of Notes or number of Certificates in respect of which the Securityholder Put Option is exercised and the Depositary, custodian or nominee shall deposit and surrender the relevant Securities in accordance with the Relevant Rules. No transfers of interests in Cleared Securities in respect of which an Option Exercise Notice has been delivered will be valid and an Option Exercise Notice in respect of Cleared Securities must be accompanied by a copy of instructions given to the Relevant Clearing System by the relevant accountholder that the accountholder's account be blocked for such purposes. No Securities so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

For the avoidance of doubt, if the Securityholder Optional Redemption Date is the same date as the Redemption Date, unless otherwise specified in the applicable Final Terms, the Securities shall be redeemed in accordance with this Base Condition 4.4.

5 Index Modification, Cancellation, Disruption or Adjustment Event, Adjustments, Notice of Adjustments

5.1 Index Adjustment Events

If:

- (a) on or prior to any date on which the Index Level is to be calculated, including without limitation any Valuation Date (a "**Determination Date**"), in respect of the Securities, the relevant Index Sponsor announces that it will make a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in the Index rules and methodology) (an "**Index Modification**") or permanently cancels the Index and no successor index exists (an "**Index Cancellation**"); or
- (b) subject to Base Condition 5.2, on any Determination Date in respect of the Securities the Index Sponsor fails to calculate and announce the Index (an "**Index Disruption**" and, together with an Index Modification and an Index Cancellation, an "**Index Adjustment Event**"),

then the Determination Agent shall on each relevant Determination Date determine if such Index Adjustment Event has a material effect on the Securities and, if so, shall calculate the level of the Index by using, in lieu of a published level for the Index, the level for the Index as at that Determination Date as determined by the Determination Agent in accordance with the formula for and method of calculating the Index last in effect prior to that Index Adjustment Event, but using only those futures contracts that constituted the Index immediately prior to that Index Adjustment Event (other than those futures contracts that have since ceased to be listed on any relevant Exchange). If the Index Sponsor decides at any time to determine the

Index Level using closing prices of the VSTOXX® Futures Contract instead of mid prices in determining the Index Level as described in “Description of the Index” such modification shall not constitute an Index Adjustment Event.

In the event that the Determination Agent determines that it can no longer continue to calculate the Index, the Determination Agent may, in its sole discretion, deem such Index Adjustment Event to constitute an Additional Disruption Event for the purposes of these provisions and shall adjust, redeem, cancel and/or take any other necessary action in accordance with the applicable provisions of Base Condition 4.3 in respect of the Securities.

5.2 Successor Index Sponsor or Substitution of Index with substantially similar calculation

If the Index is (1) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor (“**Successor Index Sponsor**”) acceptable to the Determination Agent or (2) replaced by a successor index (“**Successor Index**”) using, in the determination of the Determination Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then (x) the index as calculated and announced by the Successor Index Sponsor or (y) the Successor Index, will be deemed to be the Index. If such Successor Index Sponsor or Successor Index are not acceptable to the Determination Agent, then an Index Adjustment Event shall be deemed to have occurred and the provisions of Base Condition 5.1 shall apply. The determination as to whether a Successor Index Sponsor or Successor Index (as the case may be) is acceptable, shall be at the sole discretion of the Determination Agent and in making such determination, the Determination Agent is not required to and shall not take into account the interests of any person (including any Securityholder or the Securityholders as a class) and may act in its own best interest, without any liability therefor.

5.3 Correction of the Index

If the Index Level published on any Determination Date and used or to be used by the Determination Agent to determine the Redemption Value is subsequently corrected and the correction is published by the Index Sponsor or a Successor Index Sponsor prior to the second Exchange Business Day preceding the Redemption Date, Optional Cash Redemption Date, Securityholder Optional Early Redemption Date or Early Cash Redemption Date (the “**Cut-Off Date**”), as the case may be, the Determination Agent shall recalculate the relevant amount payable to Securityholders, as the case may be, using such corrected level of the Index. The Determination Agent shall notify the Issuer and the Issue and Paying Agent shall notify the Securityholders of (1) that correction and (2) the amount, if any, that is payable or deliverable as a result of that correction. For the avoidance of doubt, if any such correction is published after the Cut-Off Date, the relevant redemption amount shall not be recalculated.

5.4 Consequences of Disrupted Days following a Market Disruption Event affecting the Index

If, in the sole determination of the Determination Agent, a Valuation Date is a Disrupted Day, then such Valuation Date shall be deemed to be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the original date that, but for the Disrupted Days, would have been the Valuation Date (the “**Scheduled Valuation Date**”) is a Disrupted Day. In that case (1) the eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (2) the Determination Agent shall determine the Index Level

in the manner set out in the applicable Final Terms or, if not set out or not practicable, shall determine the Index Level as of the Valuation Time on the eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the relevant Exchange traded or quoted price (the “Traded Price”) as of the Valuation Time on that eighth Scheduled Trading Day of each security included in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant futures contract on that eighth Scheduled Trading Day, its determination made in a commercially reasonable manner of the Traded Price for the relevant futures contract as of the Valuation Time on that eighth Scheduled Trading Day).

5.5 Adjustments

Notwithstanding any term to the contrary, if the Issuer requests that the Determination Agent determine whether an appropriate adjustment can be made in accordance with this Base Condition 5, the Issuer shall not be obliged to make any adjustment that it does not think is appropriate and none of the Determination Agent, the Issuer or any other party shall be liable for the Issuer making or failing to make any such adjustment.

In particular, notwithstanding that an adjustment is required to be made by the provisions set out in these Base Conditions in respect of any event affecting the Index or its Index Sponsor, the Issuer reserves the right not to make that adjustment if, at the time the adjustment is to be made pursuant thereto, an option on the Index is traded on any Futures or Options Exchange and no adjustment is made by that Futures or Options Exchange to the entitlement under that traded option in respect of that event.

5.6 Notice of Adjustments

All determinations made by the Determination Agent pursuant to these Base Conditions shall be conclusive and binding on the Securityholders, the Issue and Paying Agent and the Issuer, except in the case of manifest error. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with Base Condition 15, provided that failure to give, or non-receipt of, such notice will not affect the validity or binding nature of such adjustment.

6 Settlement

Subject to Base Conditions 4.2 and 8.3, Securities shall be settled in cash and not by way of physical delivery of any asset.

7 Calculations and Publication

7.1 Calculations

For the purposes of any calculations required pursuant to the Conditions (unless otherwise specified in the applicable Final Terms), (a) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (b) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up), and (c) all Currency amounts that fall due and payable shall be rounded to the nearest unit of such Currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these

purposes, "unit" means the lowest amount of such Currency that is available as legal tender in the country of such Currency. If the Securities are in global form or uncertificated registered form, (x) any calculations in respect of such Securities shall be made in respect of the aggregate nominal amount or number, as the case may be, of such Securities from time to time outstanding (or the relevant affected portion thereof) and (y) the result of any such calculation shall be rounded in accordance with the relevant method above.

7.2 Determination and Publication of Amounts in respect of Settlement

As soon as practicable on such date as the Issue and Paying Agent or, as applicable, the Determination Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or other calculation in respect of or in connection with any Security, such Agent shall calculate such rate or amount, obtain such quotation or make such determination or other calculation, as the case may be, and cause such rate, amount, determination or calculation to be notified to the Issuer, each of the Paying Agents, the Securityholders, any other Agent in respect of the Securities that is to make a payment, delivery or further calculation or determination upon receipt of such information and, if the Securities are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority, as soon as possible after its determination or calculation but in no event later than the fourth Business Day following such determination.

7.3 Business Day Convention

If any date which is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then such date will be adjusted according to the Business Day Convention specified in the applicable Final Terms. If the Business Day Convention is specified to be:

- (i) the "**Following Business Day Convention**", such date shall be postponed to the next day that is a Business Day;
- (ii) the "**Modified Following Business Day Convention**", such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day;
- (iii) the "**Nearest Business Day Convention**", such date will be the first preceding day that is a Business Day if the relevant date otherwise falls on a day other than a Sunday or a Monday and will be the first following day that is a Business Day if the relevant date otherwise falls on a Sunday or a Monday; or
- (iv) the "**Preceding Business Day Convention**", such date shall be brought forward to the immediately preceding Business Day.

8 Payments

8.1 Definitive Bearer Securities

Payments of principal in respect of Definitive Bearer Securities will, subject as mentioned below, be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Definitive Bearer Securities to the Issue and Paying Agent at

the office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) denominated in such currency with, an Account Bank, subject to certification as to non-US beneficial ownership, as applicable.

Holders of Definitive Bearer Securities will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any such Security as a result of a transfer made in accordance with this Base Condition 8.1 arriving to such holder's account after the due date for payment.

A record of each payment made in respect of a Definitive Bearer Security of any Series will be made on the relevant Definitive Bearer Security by or on behalf of the Issue and Paying Agent, and such record shall be *prima facie* evidence that the payment in question has been made.

Notwithstanding the foregoing, if any Definitive Bearer Securities are denominated in US dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Definitive Bearer Securities in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the sole determination of the Issuer, any adverse tax consequence to the Issuer.

8.2 Global Bearer Securities

No payment falling due after the Exchange Date, if applicable, will be made on any Global Bearer Security unless exchange for an interest in a Permanent Global Security or for Definitive Bearer Securities is improperly withheld or refused. Payments on any Temporary Global Security before the Exchange Date will only be made against presentation of certification as to non-US beneficial ownership in the form set out in the Agency Agreement. All payments and deliveries in respect of Securities represented by a Global Bearer Security will be made against, and subject to the condition to settlement of, presentation for endorsement and, if no further payment or delivery falls to be made in respect of the Securities, surrender of that Global Bearer Security to or to the order of the Issue and Paying Agent or such other Paying Agent as shall have been notified to the Securityholders for such purpose.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in a Global Bearer Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. None of the persons appearing from time to time in the records of the Relevant Clearing System as the holder of any portion of a Global Bearer Security shall have any claim directly against the Issuer in respect of any payment due on the Global Bearer Security, and the Issuer's obligations to make any such payment shall be discharged by payment of the requisite amount to the holder of the Global Bearer Security.

8.3 Taxes and Settlement Expenses

All payments on redemption of the Securities shall be subject to deduction, or conditional upon payment by the relevant Securityholder(s), of any applicable Taxes and Settlement Expenses and any other amounts payable as specified in these Conditions or the applicable Final Terms. The Issuer shall notify the Securityholder(s) in accordance with Base Condition 15 of (i) such applicable Taxes, Settlement Expenses and other amounts payable and (ii) the manner in which such amounts shall be paid by the Securityholder(s).

8.4 Payment and Securities

If the date on which any amount is specified as being or is otherwise determined to be, payable in respect of any Security is not (i) a Business Day and (ii) in the case of Definitive Bearer Securities only, a day other than a Saturday or Sunday on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign Currency deposits) in the relevant place of presentation, then payment will not be made until the next succeeding day which is (i) a Business Day and (ii) in the case of Definitive Bearer Securities only, also a day other than a Saturday or Sunday on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign Currency deposits) in the relevant place of presentation, and the holder thereof shall not be entitled to any further payment in respect of such delay.

8.5 Payment subject to Laws

All payments in respect of the Securities are subject in all cases to any applicable laws, regulations and directives in any jurisdiction (whether by operation of law or agreement of the Issuer), and the Issuer will not be liable for any Taxes of whatsoever nature imposed by such laws, resolutions, directives or agreements, but without prejudice to the provisions of Base Condition 11.

9 Events of Default

If any of the following events occurs and is continuing, the holder of any Security may give notice to the Issue and Paying Agent at its specified office that such Security is, and such Security shall accordingly immediately become, due and repayable at the Early Cash Settlement Amount:

- (a) the Issuer breaches any provision of such Securities in a way that is materially prejudicial to the interests of the Securityholders, and that breach has not been remedied within 30 calendar days after the Issuer has received notice thereof from Securityholders holding at least one-tenth of either the aggregate nominal amount or the aggregate number of Securities, as applicable, then outstanding of the relevant Series demanding remedy; or
- (b) an order is made or an effective resolution is passed for the winding up of the Issuer (otherwise than in connection with a scheme of reconstruction, merger or amalgamation the terms of which have previously been approved by an Extraordinary Resolution of the Securityholders).

10 Agents

10.1 Appointment of Agents

The Issue and Paying Agent, the Paying Agents and the Determination Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Securityholder or holder. The Issuer reserves the right at any time to vary or terminate the appointment of the Issue and Paying Agent, any other Paying Agent or the Determination Agent and to appoint additional or other Paying Agents, provided that the Issuer shall at all times maintain (i) an Issue and Paying Agent, (ii) one or more Determination Agent(s) where the Conditions so require, (iii) Paying Agents having specified offices in at least two major European cities, (iv) such other agents as may be required by any other stock exchange on which the Securities may be listed and (v) to the extent not already satisfied pursuant to (iii) or (iv) above a Paying Agent with a specified office in a European Union Member State that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to such Directive. Notice of any termination of appointment and of any changes to the specified office of any Agent will be given to Securityholders in accordance with Base Condition 15.

10.2 Modification of Agency Agreement

The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so would not in the sole determination of the Issuer be expected to be materially prejudicial to the interests of the Securityholders or if such modification is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of any applicable law or to cure, correct or supplement any defective provision contained therein.

Any such modification shall be binding on the Securityholders and shall be notified to the Securityholders in accordance with Base Condition 15 as soon as practicable thereafter, provided that failure to give, or non-receipt of, such notice will not affect the validity or binding nature of such modification.

10.3 Responsibility for Calculations and Determinations

The Issue and Paying Agent and the Determination Agent, as appropriate, shall have no responsibility or liability to any person for errors or omissions in any calculations and determinations made, or actions taken, pursuant to the Conditions, and all such calculations and determinations shall (save in the case of manifest error) be final and binding on the Issuer, the Agents and the Securityholders.

11 Taxation

Except to the extent that the Issuer is required by law to withhold or deduct amounts for or on account of Tax or to the extent otherwise disclosed in the Conditions, a Securityholder must pay all Taxes arising from or payable in connection with the ownership, transfer, sale or redemption of any Security and/or any other payment relating to the Securities, as applicable. The Issuer is not liable for or otherwise obliged to pay amounts in respect of, any such Taxes which shall be borne by a Securityholder.

Except as otherwise specified in the applicable Final Terms, all payments in respect of the Securities shall be made free and clear of, and without withholding or deduction for, any present or future Taxes of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of or within the Bank Jurisdiction (or any authority or political subdivision thereof or therein having power to tax) unless the Issuer is required by law to withhold or deduct any such Taxes. In that event, the Issuer shall pay such additional amounts (“**Additional Amounts**”) as may be necessary in order that the net amounts receivable by the relevant holder after such withholding or deduction shall equal the respective amounts that would have been receivable by such holder in the absence of such withholding or deduction. Notwithstanding the above, no Additional Amounts shall be payable with respect to any Security:

- (a) to, or to a third party on behalf of, a holder who is liable to such Taxes in respect of such Securities by reason of his having a connection with the Bank Jurisdiction other than the mere holding of the relevant Security; or
- (b) to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the relevant Security is presented for payment; or
- (c) presented for payment more than 30 days after the Relevant Date, except to the extent that the holder would have been entitled to an Additional Amount on presenting such Security for such payment on the last day of such 30-day period; or
- (d) where such withholding or deduction is imposed on a payment to an individual and required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (e) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Security to another Paying Agent without such deduction or withholding; or
- (f) unless it is proved, to the satisfaction of the Issuer and Paying Agent or the Paying Agent to whom the Security is presented, that the holder is unable to avoid such withholding or deduction by satisfying any applicable certification, identification or reporting requirements or by making a declaration of non-residence or other similar claim for exemptions to the relevant tax authorities.

The imposition of any withholding or deduction on any payments in respect of the Securities by or on behalf of the Issuer will be an “**Issuer Tax Event**” if such withholding or deduction is required by law.

12 Prescription

Claims against the Issuer for payment in respect of any Security shall be prescribed and become void unless made within 10 years (in the case of principal) from the appropriate Relevant Date in respect of them.

13 Replacement of Securities

Should any Security in respect of any Series be lost, stolen, mutilated, defaced or destroyed, it may, subject to all applicable laws, regulations and any Relevant Stock Exchange or any other relevant authority regulations requirements, be replaced at the specified office of the Issue and Paying Agent or such other Paying Agent as may be designated from time to time by the Issuer for such purpose and notice of whose designation is given to Securityholders, in each case on payment by the claimant of the fees, expenses and Taxes incurred in connection therewith and on such terms as to evidence, security and indemnity and otherwise as the Issuer may require. If any Security is mutilated or defaced it must be surrendered before replacements will be issued.

14 Unlawfulness or impracticability

If the Issuer determines that the performance of any of its absolute or contingent obligations under the Securities has become illegal or a physical impracticability in whole or in part for any reason, the Issuer may cancel the Securities by giving notice to Securityholders in accordance with Base Condition 15.

If the Issuer cancels the Securities then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Securityholder in respect of each Security held by such Securityholder, which amount shall be the Early Cash Settlement Amount of such Security, notwithstanding such illegality or impracticability less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements as determined by the Determination Agent in its sole and absolute discretion. Payment will be subject to Base Condition 8.3 and made in such manner as shall be notified to the Securityholders in accordance with Base Condition 15.

15 Notices

15.1 To Securityholders

All notices to Securityholders will be deemed to have been duly given and valid if:

- (a) published in a daily newspaper of general circulation in England (which is expected to be the *Financial Times*); and/or
- (b) if and so long as Securities are listed on a Relevant Stock Exchange or are admitted to trading by another relevant authority, in accordance with the rules and regulations of the Relevant Stock Exchange or other relevant authority; and/or
- (c) in the case of Cleared Securities, in substitution for publication or mailing as required above, notices to Securityholders may be given to the Relevant Clearing System provided that any publication or other requirements required pursuant to Base Condition 15.1(b) shall also be complied with if applicable. In such cases notices will be deemed given on the date of transmission to the Relevant Clearing System (regardless of any subsequent publication).

If any publication required pursuant to Base Condition 15.1(a) or (b) is not practicable, notice shall be validly given if published in another leading English language daily newspaper with circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

15.2 To the Issuer and the Agents

In respect of any Series of Securities, all notices to the Issuer and/or the Agents must be sent to the address specified for each such entity in the Agency Agreement or to such other person or place as shall be specified by the Issuer and/or the Agent by notice given to Securityholders in accordance with this Base Condition 15.

15.3 Validity of Notices

Any determinations as to whether any notice delivered by a Securityholder is valid, effective and/or duly completed and in the proper form shall be made (i) in the case of Cleared Securities, by the Relevant Clearing System or (ii) in the case of any other Securities, by the relevant Paying Agent in consultation with the Issuer and Paying Agent, and shall be conclusive and binding on the Issuer, the Agent and the relevant Securityholder.

Any notice determined not to be valid, effective, complete and/or in proper form shall be deemed to be *void ab initio* unless the Issuer and the Relevant Clearing System, if applicable, agree otherwise. This provision shall not prejudice any right of the person delivering the notice to deliver a new or corrected notice.

The Paying Agent shall use all reasonable endeavours promptly to notify any Securityholder submitting a notice if it is determined that such notice is not valid, effective, complete or in the proper form. In the absence of negligence or wilful misconduct on its part, none of the Issuer, the Relevant Clearing System or any Agent, as the case may be, shall be liable to any person with respect to any action taken or omitted to be taken by it in connection with any notification to a Securityholder or determination that a notice is not valid, effective, complete or in the proper form.

16 Substitution

The Bank as Issuer shall be entitled at any time, without the consent of the Securityholders, to substitute any other entity the identity of which shall be in the absolute discretion of the Bank in place of the Bank as Issuer (the “**New Bank Issuer**”) to act as issuer in respect of Securities issued by it that is then outstanding under the iPath® VSTOXX® Programme, provided that (i) the New Bank Issuer’s long-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least the same as Barclays Bank PLC’s long-term rating at the date on which the substitution is to take effect or the New Bank Issuer has an equivalent long-term rating from another internationally recognised rating agency, and (ii) no event of default as set out in Base Condition 9 shall occur as a result thereof.

In the event of any such substitution, any reference in the Conditions to the Bank as Issuer shall be construed as a reference to the New Bank Issuer. Such substitution shall be promptly notified to the Securityholders of each Series then outstanding in accordance with Base Condition 15. In connection with such right of substitution, the Bank as Issuer shall not be obliged to have regard to the consequences of the exercise of such right for individual Securityholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with or subject to the jurisdiction of, any particular territory, and no Securityholder shall be entitled to claim from the Bank as Issuer or the New Bank Issuer any indemnification or payment in respect of any tax consequence of any such substitution upon such Securityholder.

17 Governing Law and Jurisdiction

- (a) The Securities and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by English law.
- (b) The Courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Securities and/or the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with them (“**Proceedings**”) shall be brought in such courts.

18 Severability

Should any one or more of the provisions contained in the Conditions of the Securities be or become invalid, the validity of the remaining provisions shall not be affected in any way.

19 Modification and Meetings

19.1 Modifications to the Conditions

The Issuer may, without the consent of the Securityholders, make any modification to the Conditions and/or any Securities that in its sole determination is not materially prejudicial to the interests of the Securityholder or that is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the Bank Jurisdiction or to cure, correct or supplement any defective provision contained in the Conditions or the Securities.

Any such modification shall be binding on the Securityholders and any such modification shall be notified to the Securityholders in accordance with Base Condition 15 as soon as practicable thereafter. Failure to give, or non-receipt of, such notice will not affect the validity of such modification.

19.2 Meetings of Securityholders

(a) *Definitive Bearer Securities*

The Agency Agreement contains provisions for convening meetings of the Securityholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of the Conditions or the Agency Agreement. At least 21 days’ notice (exclusive of the day on which the notice is given and of the day on which the meeting is to be held) specifying the date, time and place of the meeting shall be given to Securityholders.

Such a meeting may be convened by the Issuer or Securityholders holding not less than 10 per cent. in nominal amount (in the case of Notes) or in number (in the case of Certificates) of the Securities for the time being outstanding. The quorum at a meeting of the Securityholders (except for the purpose of passing an Extraordinary Resolution (as defined below)) will be two or more persons holding or representing a clear majority in nominal amount or in number of the Securities held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Securities, (ii) to reduce or cancel the nominal amount or number of the Securities, (iii) to vary any method of, or basis for, calculating any Settlement Amount (other than as provided for in the Conditions), (iv) to vary the currency or currencies of payment or denomination of the

Securities or (v) to modify the provisions concerning the quorum required at any meeting of Securityholders or the majority required to pass the Extraordinary Resolution, in which case the quorum shall be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 25 per cent. in nominal amount (in the case of Notes) or in number (in the case of Certificates) for the time being outstanding. The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in nominal amount (in the case of Notes) or in number (in the case of Certificates) outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Securityholders duly convened and held. 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 Securityholders.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting, held in accordance with the terms of the Agency Agreement, by a majority of at least 75 per cent. of the votes cast by Securityholders at such meeting. Any Extraordinary Resolution passed at any meeting of the Securityholders shall be binding on all the Securityholders, regardless of whether they are present at the meeting. Resolutions can be passed in writing if passed unanimously.

(b) Global Securities

The holder of a Permanent Global Security shall be treated as being two persons for the purposes of any quorum requirements of a meeting of Securityholders and, at any such meeting, the holder of a Permanent Global Security shall be treated as having one vote in respect of each integral currency unit of the Settlement Currency of the Security in the case of Notes or in respect of each integral currency unit of the applicable Calculation Amount per Security in the case of Certificates.

20 Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Securityholders, to create and issue further Securities of any Series having the same terms and conditions as the Securities (for the avoidance of doubt, references to “Issue Date” in these Base Conditions shall be to the first issue date of the Securities and shall be the date so specified in the Final Terms) and so that the same shall be consolidated and form a single Series with such Securities. References in the Conditions to “Securities” shall be construed accordingly.

21 Purchases and Cancellations

The Issuer and any of its subsidiaries may at any time purchase Securities in the open market or otherwise at any price.

All Securities so purchased by or on behalf of the Issuer or any of its subsidiaries may (but need not) be surrendered for cancellation, by surrendering each such Security to the Issue and Paying Agent. If so surrendered, such Securities shall be cancelled forthwith. Any Securities so surrendered for cancellation may not be re-issued or resold and the obligations of the Issuer in respect of any such Securities shall be discharged.

Cancellation of Securities represented by a Permanent Global Security (other than upon its redemption) will be effected by a reduction in the nominal amount of the relevant Permanent Global Security

relating to the Securities that are Notes or a reduction of the aggregate number of Certificates represented by the relevant Permanent Global Security.

22 Contracts (Rights of Third Parties) Act 1999

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

23 Definitions

“**Account Bank**” means, in relation to a payment denominated in a particular currency, a bank in the principal financial centre for such currency or, where the relevant payment is denominated in euro, in a city in which banks have access to the TARGET System.

“**Additional Amounts**” has the meaning ascribed to it in Base Condition 11.

“**Additional Business Centre**” means each centre specified as such in the applicable Final Terms.

“**Additional Disruption Event**” means, with respect to a Series of Securities, one or more of Change in Law, Hedging Disruption, Increased Cost of Hedging, Issuer Tax Event, Index Adjustment Event (to the extent applicable in accordance with Base Condition 5.1) and/or any other event specified as applicable in the applicable Final Terms.

“**Affiliate**” means, in relation to any entity (the “**First Entity**”), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity. For these purposes, “**control**” means ownership of a majority of the voting power of an entity.

“**Agency Agreement**” means the English law governed Master Agency Agreement dated 6 August 2010 between among others, the Issuer and certain agents or such other agency agreement as may be specified in the applicable Final Terms in respect of the particular Securities (in each case as amended and/or supplemented and/or restated as at the Issue Date).

“**Aggregate Nominal Amount**” means, in respect of a Series of Securities that are Notes, the aggregate nominal amount of the Securities of such Series as at the Issue Date as specified in the applicable Final Terms.

“**Bank Jurisdiction**” means, at any time, the jurisdiction of incorporation of the Bank or any New Bank Issuer substituted therefor in accordance with Base Condition 16.

“**Business Day**” means a day which is each of:

- (a) a day other than a Saturday or Sunday on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign Currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms;
- (b) in respect of Cleared Securities, a Clearing System Business Day for the Relevant Clearing System;
- (c) in relation to any sum payable in a Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign Currency deposits) in the principal financial centre of

the country of the relevant Currency (if other than London and any Additional Business Centre specified in the applicable Final Terms); and

(d) in relation to any sum payable in euro, a TARGET Business Day.

“Business Day Convention” means any of the business day conventions specified in Base Condition 7.3.

“Calculation Amount per Security” means the amount specified as such in the applicable Final Terms.

“CDI” or “CREST Depository Interests” means dematerialised depository interests issued, held, settled and transferred through the CREST system representing interests in the relevant Securities.

“Change in Law” means that, on or after the Trade Date (a) due to the adoption or announcement of or any change in any applicable law, regulation, rule, order, ruling or procedure (including, without limitation, any tax law and any regulation, rule, order, ruling or procedure of any applicable regulatory authority, tax authority and/or exchange), or (b) due to the promulgation of or any change in or public announcement of the formal or informal interpretation by any court, tribunal or regulatory authority with competent jurisdiction (including, without limitation, any relevant exchange or trading facility) of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that (i) it will, or there is a substantial likelihood that it will, within the next 30 calendar days, but before the Redemption Date become, or it has become illegal for the Issuer and/or any of its Affiliates to hold, acquire, deal in or dispose of the Hedge Positions relating to the Securities or contracts in securities, options, futures, derivatives or foreign exchange relating to such Securities in the manner contemplated by the relevant hedging party on the Trade Date, or (ii) the Issuer or any of its Affiliates will incur a materially increased cost in (x) performing their obligations under such Securities (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on their tax position) or (y) acquiring, establishing, re-establishing, substituting, maintaining, unwinding or disposing of any Hedge Position(s) relating to the Securities or contracts in securities, options, futures, derivatives or foreign exchange relating to such Securities or (iii) the Issuer or any of its Affiliates will be subjected to materially less favourable regulatory capital treatment with respect to the Securities and any related Hedge Positions, as compared with the regulatory capital treatment applicable to the Securities and any related Hedge Positions as of the Trade Date.

“Cleared Securities” means any Securities that are Global Securities held by a Common Depository, Common Safekeeper or custodian for, or registered in the name of a nominee of, a Relevant Clearing System and which terms shall include CDIs, where appropriate.

“Clearing System Business Day” means, in respect of a Relevant Clearing System, any day on which such Relevant Clearing System is (or, but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions.

“Clearstream” means Clearstream Banking, société anonyme or any successor thereto.

“Clearstream, Frankfurt” or “CBF” means Clearstream Banking AG, Frankfurt am Main, or any successor thereto.

“Clearstream Frankfurt Rules” means the General Terms and Business Conditions of Clearstream Frankfurt and the Instructions to Participants of Clearstream Frankfurt, as may be from time to time amended, supplemented or modified.

“**Clearstream Rules**” means the Management Regulations of Clearstream and the Instructions to Participants of Clearstream, as may be amended, supplemented or modified from time to time.

“**Component**” means, in relation to the relevant Index, any futures contract which comprises such Index.

“**Conditions**” means, with respect to a Series of Securities, the terms and conditions of the Securities set out in these Base Conditions, subject to amendment and as supplemented or varied in accordance with the provisions of the applicable Final Terms.

“**CREST**” means Euroclear UK & Ireland Limited (formerly known as CRESTCo Limited).

“**CREST Deed Poll**” means a global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated).

“**CREST Depository**” means CREST Depository Limited.

“**CREST Nominee**” means CREST International Nominee Limited as nominee for the CREST Depository.

“**Currency**” means, with respect to a country, the lawful currency of such country.

“**C Rules**” means the requirements under US Treasury Regulation section 1.163-5(c)(2)(i)(C).

“**D Rules**” means the requirements under US Treasury Regulation section 1.163-5(c)(2)(i)(D).

“**Daily Fee**” means, in respect of each calendar day from and including the Strike Date to and including the Final Valuation Date, an amount per Security determined by the Determination Agent in accordance with the following formula:

$$Daily\ Fee_t = RV_{t-1} \times Index\ Factor_t \times \frac{Annual\ Fee}{365}$$

Where:

“**Annual Fee**” means a percentage so specified in the Final Terms;

“**RV_{t-1}**” means the Redemption Value on the immediately preceding calendar day, provided that the Redemption Value on the Strike Date is equal to the Specified Denomination or the Calculation Amount per Security as at the Issue Date, as applicable; and

“**Index Factor_t**” means the Daily Index Factor for the relevant calendar day.

“**Daily Index Factor**” means the following:

- (i) in respect of each calendar day which is not a Valuation Date, one.
- (ii) in respect of each Valuation Date, a number determined by the Determination Agent in accordance with the following formula:

$$Daily\ Index\ Factor_t = \frac{Index\ Level_t}{Index\ Level_{t-1}}$$

Where:

“**Index Level_t**” means the Index Level on the relevant Valuation Date; and

“**Index Level_{t-1}**” means the Index Level on the Valuation Date immediately preceding the relevant Valuation Date.

“**Determination Date**” has the meaning ascribed to it in Base Condition 5.1.

“**Disrupted Day**” means any Scheduled Trading Day on which a relevant Exchange or Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred.

“**Early Cash Redemption Date**” means the last day of the relevant Early Redemption Notice Period or such other date specified or determined in accordance with the applicable Final Terms.

“**Early Cash Settlement Amount**” means an amount in the Settlement Currency per Specified Denomination of a Security or per Calculation Amount per Security, as applicable, determined by the Determination Agent as the market value of the Securities following the event triggering the early redemption, adjusted to take into account any costs, losses and expenses which are incurred (or expected to be incurred) by (or on behalf of) the Issuer in connection with the early redemption of the Securities, including (without duplication or limitation) hedging termination and funding breakage costs (whether actual or notional). In determining the Early Cash Settlement Amount, the Determination Agent may take into account prevailing market prices and/or proprietary pricing models, or where these pricing methods may not yield a commercially reasonable result, may estimate such Early Cash Settlement Amount in a commercially reasonable manner. The Early Cash Settlement Amount will be determined by the Determination Agent on or as soon as reasonably practicable following the event giving rise to the early redemption of the Securities. For the purposes of calculating any Early Cash Settlement Amount at any time following an Event of Default, the Determination Agent will ignore the effect of such Event of Default upon the market value of the Securities.

“**Early Closure**” means the closure on any Exchange Business Day of any Relevant Exchange(s) relating to the Index, the VSTOXX® Index, the EURO STOXX 50® Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or any Related Exchange(s) at least one hour prior to the earlier of (a) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (b) the submission deadline of orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

“**Early Redemption Notice Period**” has the meaning ascribed to such term in Base Condition 4.3.

“**EUREX**” means the EUREX exchange.

“**EURO STOXX 50® Index**” means the EURO STOXX 50 index published under the mark “EURO STOXX 50® Index” or any successor thereto.

“**EURO STOXX 50® Options**” means a weighted series of out-of-the-money put and call options on the level of the EURO STOXX 50® Index.

“**Euroclear**” means Euroclear Bank S.A./N.V. or any successor thereto.

“**Euroclear Rules**” means the terms and conditions governing the use of Euroclear and the operating procedures of Euroclear, as may be amended, supplemented or modified from time to time

“**Event of Default**” means each of the events set out in Base Condition 9.

“Exchange” means, in respect of the Index, each exchange or quotation system specified as such for such Index in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Components underlying such Index has temporarily relocated provided that the Determination Agent has determined that there is comparable liquidity relative to the Components underlying such Index on such temporary substitute exchange or quotation system as on the original Exchange.

“Exchange Business Day” means any Scheduled Trading Day on which each Exchange is open for trading during its regular trading sessions, notwithstanding any such Exchange closing prior to its Scheduled Closing Time.

“Exchange Date” means, in relation to a Temporary Global Security, the calendar day falling after the expiry of 40 calendar days after the later of the commencement of the offering or the issue date.

“Exchange Disruption” means a breakdown or failure in the price and trade reporting systems of the Relevant Exchange for the Index or the VSTOXX® Index (other than an Early Closure) as a result of which the reported trading prices for EURO STOXX 50® Options or VSTOXX® Futures Contract during the one hour period preceding, and including, the scheduled time at which (a) the value of EURO STOXX 50® Options is calculated for purposes of the VSTOXX® Index or (b) the VSTOXX® Futures is calculated for purposes of the Index, are materially inaccurate.

“Exchange Event” means that, in respect of Cleared Securities, the Issuer has been notified that any Relevant Clearing System has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and no successor clearing system is available.

“Extraordinary Resolution” means a resolution passed in accordance with the Agency Agreement relating to the relevant Securities.

“Final Cash Settlement Amount” means, subject to the occurrence of an Index Adjustment Event and/or any Additional Disruption Event, an amount per Specified Denomination or per Calculation Amount per Security in the Settlement Currency equal to the Redemption Value as of the Final Valuation Date.

“Final Terms” means, with respect to a Series of Securities, the final terms specified as such for such Securities.

“Final Valuation Date” means, subject to postponement in accordance with Base Condition 5.4, the date specified as such in the Final Terms.

“Futures or Options Exchange” means the relevant exchange in options or futures contracts on the Index as determined by the Determination Agent in its absolute discretion.

“Hedge Positions” means any purchase, sale, entry into or maintenance of one or more (a) positions or contracts in securities, options, futures, derivatives or foreign exchange, (b) stock loan transactions or (c) other instruments or arrangements (howsoever described) by the Issuer or any of its Affiliates in order to hedge, individually or on a portfolio basis, the Issuer’s obligations in respect of the Securities.

“Hedging Disruption” means that the Issuer and/or any of its Affiliates is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the price risk of issuing and

performing its obligations with respect to the relevant Series of Securities, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

“**Increased Cost of Hedging**” means that the Issuer and/or any of its Affiliates would incur a materially increased (as compared with circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the price risk of issuing and performing its obligations with respect to the relevant Series of Securities, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer shall not be deemed an Increased Cost of Hedging.

“**Index**” means the index specified in the applicable Final Terms, being either (a) the EURO STOXX 50® Volatility Mid-Term Futures Total Return Index described in “Description of the Index” in this iPath VSTOXX® Base Prospectus or (b) any other index linked to the VSTOXX® Index that may be described in a supplement to this iPath VSTOXX® Base Prospectus from time to time.

“**Index Adjustment Event**” has the meaning ascribed to it in Base Condition 5.1.

“**Index Cancellation**” has the meaning ascribed to it in Base Condition 5.1.

“**Index Disruption**” has the meaning ascribed to it in Base Condition 5.1.

“**Index Level**” means, in respect of each Valuation Date, the level of the Index at the Valuation Time on such Valuation Date, as published by the Index Sponsor and viewed on the Price Source.

“**Index Modification**” has the meaning ascribed to it in Base Condition 5.1.

“**Index Sponsor**” means STOXX Limited or any successor thereto.

“**iPath® VSTOXX® Base Prospectus**” means this document as amended and/or supplemented from time to time by any base prospectus supplement (“**Base Prospectus Supplement**”).

“**iPath® VSTOXX® Programme**” means the programme to issue the Securities described herein.

“**Issue Price per Security**” means the price specified as such in the applicable Final Terms.

“**Issuer Notice Period**” has the meaning ascribed to it in Base Condition 4.2.

“**Issuer Option Exercise Period**” means the period specified as such in the applicable Final Terms or, if no such period is specified, the period from (but excluding) the Issue Date to (but excluding) the fifteenth Business Day preceding the Redemption Date.

“**Issuer Tax Event**” has the meaning ascribed to it in Base Condition 11 unless otherwise specified in the applicable Final Terms.

“**Market Disruption Event**” means:

- (i) the occurrence or existence of:
 - (a) a Trading Disruption which the Determination Agent determines is material at any time;
 - (b) an Exchange Disruption, which the Determination Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time;
 - (c) an Early Closure; or

- (d) any event, which the Determination Agent determines is material, which disrupts or impairs the ability of the Issuer or of any market participants to effect transactions in, or obtain market values for, futures, options or derivatives contracts relating to the Index (including any proprietary index created by the Issuer or an associate of the Issuer); or
- (ii) the occurrence or existence, in respect of futures or options contracts relating to the Index, of:
 - (a) a Trading Disruption; (b) an Exchange Disruption, which in either case the Determination Agent determines is material, at any time during the one hour period that ends at the Valuation Time in respect of the Related Exchange; or (c) an Early Closure, in each case in respect of such futures or options contracts.

In addition, for the purposes of determining whether a Market Disruption Event exists, if a Market Disruption Event occurs in respect of a futures contract included in the Index at any time, then the relevant percentage contribution of that futures contract to the Index Level shall be based on a comparison of (x) the portion of the Index Level attributable to that futures contract and (y) the overall Index Level, in each case immediately before the Market Disruption Event occurred.

“Minimum Securityholder Exercise Amount” has the meaning specified in the Final Terms.

“Optional Cash Redemption Date” means the last day of the relevant Issuer Notice Period or such other date specified or determined in accordance with the applicable Final Terms.

“Optional Cash Settlement Amount” means an amount per Specified Denomination or per Calculation Amount per Security determined by the Determination Agent to be equal to (a) the sum of the Optional Cash Valuation Date Amounts (or where there is only one Optional Cash Valuation Date Amount, that Optional Cash Valuation Date Amount) divided by (b) the number of Optional Early Redemption Securities, as specified in the Optional Early Redemption Notice given by the Issuer, adjusted to take into account any costs, losses and expenses which are incurred (or expected to be incurred) by (or on behalf of) the Issuer in connection with the early redemption of such Optional Early Redemption Securities, including (without duplication or limitation) hedging termination and funding breakage costs (whether actual or notional).

“Optional Cash Valuation Date” means each Valuation Date during the relevant Issuer Notice Period that the Issuer shall, in its sole discretion, determine to be a date on which a certain number, determined by the Issuer in its sole discretion, of the Optional Early Redemption Securities shall be redeemed. For the avoidance of doubt, there may be more than one Optional Cash Valuation Date in respect of such Optional Early Redemption Securities.

“Optional Cash Valuation Date Amount” means, in respect of an Optional Cash Valuation Date and the relevant number of the Optional Early Redemption Securities to be redeemed on that Optional Cash Valuation Date, subject to the occurrence of a Market Disruption Event, Index Adjustment Event and/or any Additional Disruption Event, an amount in the Settlement Currency equal to the Redemption Value as of such Optional Cash Valuation Date multiplied by the number of Optional Early Redemption Securities redeemed on that Optional Cash Valuation Date.

“Optional Early Redemption Notice” has the meaning ascribed to it in Base Condition 4.2.

“Optional Early Redemption Securities” has the meaning ascribed to it in Base Condition 4.2.

“Price Source” means, in respect of the Index Level, the publication (or such other origin of reference, including an Exchange) containing (or reporting) the Index Level (or prices from which the Index Level is calculated).

“**Principal Base Prospectus**” means the base prospectus dated 14 June 2012 in respect of the Bank’s Global Structured Securities Programme (as amended and/or supplemented from time to time by any Base Prospectus Supplement).

“**Proceedings**” has the meaning given it in Base Condition 17.

“**Redemption Date**” means, in respect of any Series of Securities, the date specified as the Redemption Date in the applicable Final Terms, subject to postponement in accordance with Base Condition 5.4, in which case it shall be the date falling two Business Days after the postponed Final Valuation Date.

“**Redemption Value**” or “**RV_t**” means, in respect of a Security on any relevant calendar day, the value determined by the Determination Agent in accordance with the following formula:

$$RV_t = (RV_{t-1} \times Index Factor_t) - Daily Fee_t$$

Where:

“**RV_{t-1}**” means the Redemption Value on the immediately preceding calendar day, provided that the Redemption Value on the Strike Date shall be deemed to be equal to the Specified Denomination or Calculation Amount per Security, as applicable;

“**Index Factor_t**” means the Daily Index Factor for the relevant calendar day; and

“**Daily Fee_t**” means the Daily Fee for the relevant calendar day.

“**Related Exchange**” means, subject to the proviso below, in respect of the relevant Index, each exchange or quotation system specified as such for the Index in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures and options contracts relating to the Index has temporarily relocated (provided that the Determination Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to the Index on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however that where “All Exchanges” is specified as the Related Exchange in the applicable Final Terms, “**Related Exchange**” shall mean each exchange or quotation system where trading has a material effect (as determined by the Determination Agent) on the overall market for futures or options contracts relating to the Index.

“**Relevant Clearing System**” means:

- (a) with respect to Securities, Euroclear, Clearstream, Clearstream Frankfurt and/or such other clearing system specified in the applicable Final Terms, as the case may be, through which interests in Securities are to be held and/or through an account at which such Securities are to be cleared; and
- (b) with respect to CDIs, CREST.

“**Relevant Exchange**” means, with respect to the EURO STOXX 50® Index, the primary exchange or market of trading for any equity security (or any combination thereof) then included in the EURO STOXX 50® Index or, with respect to the VSTOXX® Index, the primary exchange or market for EURO STOXX 50® Options or, with respect to the Index, the VSTOXX® Futures Contracts.

“**Relevant Rules**” means the Rules of the Relevant Clearing System.

“**Relevant Stock Exchange**” means, in respect of any Series of Securities, the stock exchange upon which such Securities are listed as specified in the applicable Final Terms, if any.

“Rules” means the Clearstream Rules, the Clearstream Frankfurt Rules, the Euroclear Rules, the CREST Manual and/or the terms and conditions and any procedures governing the use of such other Relevant Clearing System as may be specified in the Final Terms relating to a particular issue of Securities.

“Scheduled Closing Time” means, in respect of any Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after-hours or other trading outside regular trading session hours.

“Scheduled Trading Day” means any day on which each Exchange and each Related Exchange are scheduled to open for trading for their respective regular trading sessions, provided that a day shall be a Scheduled Trading Day if it is known at any time before that day each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions on that day. Conversely, a day shall not be a Scheduled Trading Day if it is known at any time before that day that an Exchange or Related Exchange is not scheduled to be open for trading for its regular trading session on that day.

“Scheduled Valuation Date” has the meaning ascribed to it in Base Condition 5.4.

“Securities” means any securities which may from time to time be issued under the iPath® VSTOXX® Base Prospectus.

“Securityholder Option Exercise Day” means a calendar day when both (i) the Determination Agent is open for business in London and New York and (ii) the exchanges of all futures contracts included in the Index are open for trading.

“Securityholder Option Exercise Notice” means an irrevocable written notice from the relevant Securityholder to the Issuer, in the form obtainable from any Paying Agent, specifying the number of Securities to be redeemed and the Securityholder Optional Redemption Date.

“Securityholder Option Exercise Notice Effective Date” has the meaning given to it in Base Condition 4.4.

“Securityholder Option Exercise Period” has the meaning specified in the Final Terms.

“Securityholder Optional Redemption Charge” means an amount per Security equal to the Securityholder Optional Redemption Percentage multiplied by the Redemption Value, calculated by the Determination Agent on the relevant Securityholder Option Exercise Day.

“Securityholder Optional Redemption Date” means, unless otherwise specified in the Final Terms, the second Business Day following the Securityholder Optional Exercise Notice Effective Date.

“Securityholder Optional Redemption Percentage” means the percentage figure specified in the Final Terms.

“Securityholder Optional Settlement Amount” means an amount per Security calculated by the Determination Agent based on the Redemption Value on the Securityholder Option Exercise Notice Effective Date minus the Securityholder Optional Redemption Charge.

“Series” means the Securities of each original issue together with the Securities of any further issues expressed to be consolidated to form a single Series with the Securities of an original issue.

“**Settlement Amount**” means the Final Cash Settlement Amount, the Securityholder Optional Settlement Amount, the Optional Cash Settlement Amount or the Early Cash Settlement Amount, as applicable.

“**Settlement Currency**” means the Currency specified as such in the applicable Final Terms.

“**Settlement Expenses**” means, in respect of any Security or Securities, any costs, fees and expenses or other amounts (other than in relation to Taxes) payable by a Securityholder per Specified Denomination per Security or per Calculation Amount per Security, as applicable, on or in respect of or in connection with the redemption or settlement of such Security or Securities as determined by the Determination Agent in its sole and absolute discretion.

“**Strike Date**” means the date specified as such in the Final Terms.

“**Successor**” means, in relation to any Agent or such other or further person as may from time to time be appointed by the Issuer in respect of Securities, the person identified as the successor to such Agent or other person by the Determination Agent (or if the successor relates to the Determination Agent, the Issuer) in its sole and absolute discretion. Notice of any Successor identified shall be given to Securityholders as soon as reasonably practicable after such identification in accordance with Base Condition 15.

“**Successor Index**” has the meaning ascribed to it in Base Condition 5.2.

“**Successor Index Sponsor**” has the meaning ascribed to it in Base Condition 5.2.

“**TARGET Business Day**” means a day on which the TARGET System is operating.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007 (“**TARGET2**”) (or if such system ceases to be operative, such other system (if any) determined by the Determination Agent to be a suitable replacement).

“**Taxes**” means any tax, duty, impost, levy, charge or contribution in the nature of taxation or any withholding or deduction for or on account thereof, including (but not limited to) any applicable stock exchange tax, turnover tax, stamp duty, stamp duty reserve tax and/or other taxes, duties, assessments or governmental charges of whatever nature chargeable or payable and includes any interest and penalties in respect thereof.

“**TEFRA**” means the US Tax Equity and Fiscal Responsibility Act of 1982 and regulations promulgated thereunder.

“**Trade Date**” means the date specified as such in the applicable Final Terms.

“**Traded Price**” has the meaning ascribed to it in Base Condition 5.4.

“**Trading Disruption**” means any of the following events:

- (i) a suspension, absence or material limitation of trading of equity securities then constituting 20 per cent. or more of the level of the EURO STOXX 50® Index on the Relevant Exchange(s) for such securities for more than two hours of trading (one hour on any day that is an “index roll date” for purposes of calculating the VSTOXX® Index or the relevant successor index) during, or during the one hour period preceding the close of, the principal trading session on such Relevant Exchange;

- (ii) a breakdown or failure in the price and trade reporting systems of any Relevant Exchange for the EURO STOXX 50® Index as a result of which the reported trading prices for equity securities then constituting 20 per cent. or more of the level of the EURO STOXX 50® Index are materially inaccurate (i) during the one hour preceding the close of the principal trading session on such Relevant Exchange or (ii) during any one hour period of trading on such Relevant Exchange on any day that is an “index roll date” for the purpose of calculating the VSTOXX® Index;
- (iii) a suspension, absence or material limitation of trading on any Relevant Exchange for the VSTOXX® Index for more than two hours of trading (one hour on any day that is an “index roll date” for the purpose of calculating the VSTOXX® Index) during, or during the one hour period preceding the close of the principal trading session on such Relevant Exchange;
- (iv) a decision to permanently discontinue trading on the Relevant Exchange in EURO STOXX 50® Options or the VSTOXX® Futures Contract; or
- (v) the occurrence or existence of a lack of, or a material decline in, the liquidity in the market for trading in any futures contract underlying the Index.

For the purpose of determining whether a Trading Disruption has occurred:

- (a) a limitation on the hours or number of days of trading will not constitute a Trading Disruption Event if it results from an announced change in the regular business hours of the relevant exchange for the VSTOXX® Index;
- (b) limitations pursuant to the rules of any relevant exchange similar to NYSE Rule 80B (or any applicable rule or regulation enacted or promulgated by any other self-regulatory organisation or any government agency of scope similar to NYSE Rule 80B as determined by the Determination Agent) on trading during significant market fluctuations will constitute a suspension, absence or material limitation of trading;
- (c) a suspension of trading in a futures contract on the VSTOXX® Index by the Relevant Exchange for the VSTOXX® Index by reason of (i) a price change exceeding limits set by the Relevant Exchange; (ii) an imbalance of orders or (iii) a disparity in bid prices and ask prices; and
- (d) “suspension, absence or material limitation of trading” on any Relevant Exchange will not include any time when such Relevant Exchange is itself closed for trading under ordinary circumstances.

“**Valuation Date**” means each Scheduled Trading Day from and including the Issue Date, up to and including the Final Valuation Date, unless there is a Disrupted Day in respect of the Index on that date in which event Base Condition 5.4 will apply, and provided that where the Securities are redeemed pursuant to Base Condition 4, the relevant date will be the second Scheduled Trading Day preceding the relevant Redemption Date, Optional Cash Redemption Date, Securityholder Optional Redemption Date or Early Cash Redemption Date, as the case may be unless there is a Disrupted Day in respect of the Index on that date in which event Base Condition 5.4 will apply.

“**Valuation Time**” means the time specified as such in the applicable Final Terms, or if no such time is specified, the Scheduled Closing Time for the relevant Exchange on the relevant Valuation Date in relation to the Index. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

“VSTOXX® Futures Contracts” means futures contracts on the VSTOXX® Index traded on the EUREX and maturing in the relevant month.

“VSTOXX® Index” means the EURO STOXX 50® Volatility Index or any successor index thereto.

SWEDISH SECURITIES ANNEX

If “Swedish Securities” is specified as “Applicable” in the applicable Final Terms, the provisions of this Annex shall apply. The terms and conditions applicable to Swedish Securities (as defined below) shall comprise the Base Conditions as amended and/or supplemented by the provisions set out in this Annex (the “Swedish Securities Conditions”), together with any other additional terms and conditions specified in the applicable Final Terms and subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between (i) the Base Conditions and (ii) the Swedish Securities Conditions, the Swedish Securities Conditions shall prevail. In the event of any inconsistency between (i) the Base Conditions as amended and/or supplemented by the Swedish Securities Conditions and (ii) the applicable Final Terms, the applicable Final Terms shall prevail.

1 General description of Swedish Securities

Notwithstanding any other provisions in the iPath® VSTOXX® Base Prospectus, Investors may hold beneficial interest in Securities issued under the iPath® VSTOXX® Programme by holding Securities through Euroclear Sweden AB (the “Swedish CSD”) for the purpose of listing Securities in Sweden.

Beneficial interest in the Securities through the Swedish CSD (all such Securities, “Swedish Securities”) will be held in uncertificated and dematerialised book-entry form in accordance with the Swedish Financial Instruments Accounts Act (Sw. lag (1998:1479) *om kontoföring av finansiella instrument*) (the “Swedish Financial Instruments Accounts Act”) (as amended) and all such other Swedish laws, regulations and operating procedures applicable to and/or issued by Euroclear Sweden AB (the “Swedish CSD Rules”).

1.1 Euroclear Sweden AB

Euroclear Sweden AB is a subsidiary within the Euroclear group of companies. Euroclear Sweden AB is a limited liability company. It is authorised and regulated by the Swedish Financial Supervisory Authority as a central securities depository within the meaning of the Swedish Financial Instruments Accounts Act (as amended) and as a clearing organisation within the meaning of the Swedish Securities Market Act (Sw. lag (2007:528) *om värdepappersmarknaden*) (as amended).

All transactions relating to the Swedish Securities (such as issuance, sale and transfer, pledge arrangements and other dispositions and redemptions) are executed as computerised book-entry registrations. Consequently, in order to effect such entries, owners must establish a book-entry account through a credit institution or a securities firm acting as an account operator with Euroclear Sweden AB. More information regarding Euroclear Sweden AB and its rules and operating procedures can be found at its internet web site at <http://www.euroclear.eu>.

1.2 Form, Title and Transfer of Swedish Securities

Any and all Global Bearer Securities issued in respect of Swedish Securities will be deposited with a common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear system and Clearstream. Each such Security will be shown in the records of Euroclear Bank S.A./N.V. as being held by the Swedish CSD. The Swedish CSD will hold each such Swedish Security for the sole purpose of enabling clearing and settlement of such beneficial interests in each such Swedish Security in uncertificated and dematerialised book-entry form in the records maintained by the Swedish CSD in accordance with the Swedish CSD Rules for the benefit of the ultimate beneficial owners.

The Swedish Securities will be shown in the records of the Swedish CSD pursuant to such agreement(s) as may be entered into between the Issuer and the Swedish CSD in relation to the Swedish Securities. Such Swedish Securities shown in the records of the Swedish CSD will be treated as transferable instruments and not subject to any restrictions on free transferability under Swedish law. Other than as described in the provisions regarding exchange into Definitive Bearer Securities described in the section “Exchange of Global Bearer Securities” starting on page 48 of the iPath® VSTOXX® Base Prospectus, no other physical Securities or certificates will be issued in respect of any Swedish Securities shown in the records of the Swedish CSD.

The Swedish Securities will be transferable only in accordance with the Swedish CSD Rules. Title to the Swedish Securities shall pass in the records maintained by Euroclear Sweden AB in accordance with the Swedish CSD Rules (the “**Swedish Records**”). The Swedish CSD will keep the Swedish Records and Euroclear Bank S.A./N.V. will keep record of the Swedish CSD’s position/account as set out above. Clearstream Frankfurt will, through its account structure, keep record over the interests in the Global Bearer Securities.

1.3 Agents

In respect of the Swedish Securities, the Issuer will appoint one or more issuer agent(s) acting on its behalf in Sweden (the “**Swedish Agent**”). References in the Conditions to the “Issue and Paying Agent” shall include the Swedish Agent or any additional or successor to such a Swedish Agent.

The Swedish Agent acts solely as agent of the Issuer and does not assume any obligation to, or relationship of agency or trust with the Securityholders or the holders of Swedish Securities, other than to the extent any such obligations result from mandatory provisions in the Swedish Financial Instruments Accounts Act, other applicable legislation and/or the Swedish CSD Rules.

The Issuer reserves the right at any time to vary or terminate the appointment of the Swedish CSD and a Swedish Agent and to appoint a substitute Swedish central securities depository or agent, provided that the Issuer shall at all times maintain a Swedish central securities depository which shall be a duly authorised central securities depository under the Swedish Financial Instruments Accounts Act and a Swedish Agent in Sweden duly authorised under the Swedish CSD Rules (or, in case of substitution, the equivalent thereof).

1.4 Redemption and Purchase

Base Condition 4.2 (*Early Redemption at the Option of the Issuer*) shall be supplemented by the insertion of the following as a new paragraph after the final paragraph thereof:

“Any such redemption in respect of Swedish Securities shall be in accordance with the Swedish CSD Rules and the notice to Securityholders shall also specify the Swedish Securities or amounts of the Swedish Securities to be redeemed or in respect of which such option has been so exercised and the procedures for partial redemptions laid down in the Swedish CSD Rules. In respect of the Swedish Securities such option may be exercised by the relevant holder of the Swedish Security giving a Securityholder Option Exercise Notice to the Swedish Agent stating the nominal amount of Notes or number of Certificates in respect of which the Securityholder Put Option is exercised.”

1.5 Payment

The following paragraph shall be added at the end of Base Condition 8.2 (*Global Bearer Securities*):

“Notwithstanding the foregoing, payments due in respect of Swedish Securities shall be made to the bearer of the relevant Global Security and each payment so made will discharge the Issuer’s obligations in respect thereof. Each holder of Swedish Securities must look solely to the Swedish CSD for its share of the payments made to the bearer of the relevant Global Security. The Swedish CSD does not assume the obligations of the Issuer and is only obliged to distribute payments it has received in its capacity as Swedish CSD in respect of the Swedish Securities. Unless otherwise specified in the applicable Final Terms, it is expected that payments in respect of Swedish Securities will be received by holders of Swedish Securities at an account with the Swedish CSD no later than the seventh business day (as defined by the then applicable Swedish CSD Rules) after the date on which such payment becomes due and payable in accordance with the applicable terms and conditions as specified in the applicable Final Terms. Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment and will be made in accordance with the Swedish CSD Rules.”

1.6 Listing

An application may be made to list the Swedish Securities on NASDAQ OMX Stockholm AB and/or Burgundy or any other stock exchange or regulated market within Sweden, if so specified in the applicable Final Terms.

1.7 Miscellaneous

The Issuer shall be entitled to obtain information from the register of the Swedish CSD in accordance with the Swedish CSD Rules. The Issuer may grant the Swedish Agent such right by way of proxy.

For so long as it is a requirement of the Swedish CSD Rules, the specified currency for the Swedish Securities may only be Swedish Krona (“SEK”) or EUR, as specified in the applicable Final Terms.

Any payments in respect of the Swedish Securities shall be made to the Securityholder shown as such in the register of the Swedish CSD Rules at the record date (determined in accordance with the Swedish CSD Rules). Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment and will be made in accordance with the Swedish CSD Rules.

2 Swedish Taxation

The following summary does not consider all aspects of taxation in Sweden that may be relevant to a holder of Swedish Securities in the light of the holder’s particular circumstances and income tax situation and is not intended to be, nor should it be construed to be, legal or tax advice. This discussion is based on Swedish tax laws and regulations, all as currently in effect (except where explicitly stated otherwise) and all subject to change at any time, possibly with retroactive effect.

Prospective holders might consider consulting their own tax advisers as to the particular tax consequences to them of subscribing, purchasing, holding and disposing of the Swedish Securities,

including the application and effect of foreign and other tax laws and the possible effects of changes in the tax laws of Sweden.

For the purposes of following section, the Swedish Securities are treated as securities for taxation purposes and a reference to “Securities” shall be deemed to be a reference to Swedish Securities.

2.1 Taxation of Individuals Resident in Sweden

Capital Gains and Losses

Individuals who sell their securities, or have their securities redeemed/repaid, are subject to capital gains tax. The current tax rate on capital gains is 30 per cent.

The capital gain or loss is calculated as the difference between the sales proceeds, after deduction of sales expenses, and the securities’ acquisition cost for tax purposes. The acquisition cost is normally determined according to the “average method”. This means that the costs of acquiring all securities of the same type and class as the sold Securities are added together and the average acquisition cost is calculated collectively, with respect to changes to the holding.

As a general rule, 70 per cent. of a capital loss is deductible against any other taxable income from capital.

Capital losses on listed Swedish Securities are fully deductible in the income from capital category. According to Swedish case law, full deductibility also applies to capital losses on listed foreign Securities.

Capital losses on listed shares and other listed Securities taxed in the same manner as shares (except for listed shares in mutual funds containing only Swedish receivables), are, however, fully deductible against taxable gains on such assets and on non-listed shares in Swedish limited liability companies and foreign legal entities. Moreover, only five sixths of capital losses on non-listed shares in Swedish limited liability companies and foreign legal entities are deductible.

If capital losses pertain to both listed and non-listed shares, the losses pertaining to the listed shares are deductible prior to the losses on the non-listed shares. 70 per cent. of any excess amount is deductible according to the general rule or five sixths of 70 per cent. is deductible if the capital loss relates to non-listed shares. Capital losses on listed shares in mutual funds containing only Swedish receivables are fully deductible in the income from capital category.

If a deductible deficit arises within income from capital, a reduction of the tax on income from employment and from business operations, as well as the tax on real estate and the municipal real estate fee, is allowed. The tax reduction is 30 per cent. of any part of the deficit not exceeding SEK 100,000 and 21 per cent. of any part of the deficit in excess of SEK 100,000. Deficits may not be carried forward to a subsequent fiscal year.

2.2 Taxation of Swedish Legal Entities

Legal entities (except estates of a deceased person and partnerships, such as trading and limited partnerships) registered in Sweden are normally taxed on all income (including income from the sale, redemption or repayment of the Securities) as income from business operations at a flat rate of 26.3 per cent. Regarding the calculation of capital gains or losses, see section “Taxation of Individuals Resident in Sweden” above. However, for legal entities, interest income

and currency exchange fluctuations are normally taxable, or deductible, as the case may be, on an accrual basis.

Tax deductible capital losses on receivables incurred by a corporate holder are normally fully deductible against any taxable income.

For limited liability companies and certain other legal entities, capital gains on shares, and certain share-related rights, held for business purposes (Sw. näringsbetingade andelar) may be tax exempt. As a result, capital losses on such shares and share-related rights are not deductible for tax purposes. Consequently, capital gains on Securities may not be offset against capital losses on such shares and share-related rights held for business purposes. The Swedish Securities are not treated as share-related rights held for business purposes.

2.3 Taxation of Securityholders residing outside of Sweden

Generally, individual Securityholders resident outside Sweden are normally not liable to Swedish tax on the sale of Securities. Securityholders can, however, be subject to taxation in their country of residence.

Individuals who are resident outside of Sweden which have previously been resident in Sweden may, however, be liable to tax on the sale of shares if they have been resident in Sweden or permanently lived in Sweden during the calendar year of the sale, or at any time during the ten preceding calendar years. The application of this rule may, however, be limited by tax treaties concluded between Sweden and other countries.

Foreign legal entities are normally not liable to income tax on capital gains on Swedish shares unless the gains are connected to a permanent establishment in Sweden.

2.4 Stamp duty and transfer taxes

There are no Swedish stamp duties or transfer taxes on the transfer of shares and other Securities.

SOUTH AFRICAN SECURITIES ANNEX

If “South African Securities” is specified as “Applicable” in the applicable Final Terms, the provisions of this Annex shall apply. The terms and conditions applicable to South African Securities (as defined below) shall comprise the Base Conditions as amended and/or supplemented by the provisions set out in this Annex (the “South African Securities Conditions”), together with any other additional terms and conditions specified in the applicable Final Terms and subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between (i) the Base Conditions and (ii) the South African Securities Conditions, the South African Securities Conditions shall prevail. In the event of any inconsistency between (i) the Base Conditions as amended and/or supplemented by the South African Securities Conditions and (ii) the applicable Final Terms, the applicable Final Terms shall prevail.

This Annex must be read in conjunction with the Base Prospectus as well as the JSE Placement Document issued in respect of South African Securities and the applicable Final Terms.

No new Security. The purpose of this Annex is to describe the local regulatory requirements and clearing process in South Africa for South African Securities.

1 General description of South African Securities

Notwithstanding any other provisions in the Base Prospectus, Investors may hold indirect interests in Securities issued under the Programme by holding South African Securities through the CSD in dematerialised form. South African Securities represent indirect interests in the Securities to which they relate (those Securities are therefore “**Underlying Securities**”) and holders of South African Securities will not be the legal owners of the Underlying Securities. Following their delivery into the CSD, interests in Underlying Securities may be delivered, held and settled in the CSD by means of the creation of dematerialised South African Securities representing the interests in the relevant Underlying Securities.

1.1 CSD

Beneficial Interests in the South African Securities will be held in uncertificated and dematerialised book-entry form with the CSD or any successor acceptable to the Issuer.

South African Securities listed on the Main Board of the JSE will be cleared through the CSD which, as the operator of an electronic clearing system, matches, clears and facilitates the settlement of transactions concluded on the JSE. The settlement of trades on the JSE will take place in accordance with the electronic settlement procedures of the JSE and the CSD for all trades effected through the JSE.

All transactions relating to the beneficial interests in the CSD (such as issuance, sale and transfer, pledge arrangements and other dispositions and redemptions) are executed as computerised book-entry registrations. Consequently, in order to effect such entries beneficial owners must establish a book-entry account through a CSD Participant. More information regarding the CSD and the CSD Rules can be found at its internet web site at <http://www.strate.co.za/default.aspx>.

The settlement of trades on the JSE will take place in accordance with the electronic settlement procedures of the JSE and the CSD for all trades effected through the JSE.

1.2 Form, Title and Transfer of South African Securities

Any and all Global Bearer Securities issued in respect of South African Securities will be deposited with a common depository for Clearstream, Frankfurt. Each such Security will be shown in the records of Computershare as being held by the CSD. The CSD will hold all interests in each such Security for the sole purpose of enabling clearing and settlement of such interests in uncertificated and dematerialised book-entry form in the records maintained by the CSD in accordance with the Applicable Procedures for the benefit of the ultimate beneficial owners.

Beneficial Interests in the South African Securities will be shown in the records of the CSD pursuant to such agreement(s) as may be entered into between the Issuer and the CSD in relation to the South African Securities. Such Beneficial Interests in the South African Securities shown in the records of the CSD will be treated as transferable instruments and not subject to any restrictions on free transferability. Other than as described in the provisions regarding exchange into Definitive Bearer Securities described in the section “Exchange of Global Bearer Securities” starting on page 48 of the Base Prospectus, no other physical Securities or certificates will be issued in respect of any South African Securities shown in the records of the CSD.

The South African Securities will at all times remain Global Bearer Securities as contemplated in the Base Prospectus and a certificate or written instrument given pursuant to section 44 of the South African Securities Services Act shall not alter this.

1.3 Denomination

South African Securities will be denominated in the Specified Denomination and will be traded and settled on the JSE in Rand. Any South African Securities traded and settled in Rand will be converted into the Specified Denomination at the prevailing spot rate of such currency. The prevailing spot rate will be published from time to time on Bloomberg (available using the Bloomberg code EURZAR).

1.4 South African Register

While South African Securities are held in the CSD, the CSD's Nominee will be named in the South African Register as the sole holder of the South African Securities and, accordingly, all amounts to be paid and all rights to be exercised in respect of the South African Securities will be paid to and may be exercised only by the CSD's Nominee for the holders of Beneficial Interests in the South African Securities.

While any South African Securities are held in the CSD, each person shown in the records of the CSD or the relevant CSD Participant, as the case may be, as the holder of a Beneficial Interest in a particular principal amount of such South African Securities (in which regard any certificate or other document issued by the CSD or the relevant CSD Participant, as the case may be, as to the principal amount of such South African Securities standing to the account of such person shall be prima facie proof of such Beneficial Interest) shall, be treated by the relevant Issuer, the South African Paying Agent, the South African Transfer Agent and the relevant CSD Participant as the Holder of that aggregate principal amount of such South African Securities for all purposes, other than with respect to the payment of all amounts (whether in respect of principal, interest or otherwise) due and payable in respect of such South African Securities, for which latter purpose the CSD's Nominee (as the registered Holder of such South African

Securities named in the South African Register) shall be treated by the relevant Issuer, the South African Paying Agent, the South African Transfer Agent and the relevant CSD Participant as the Holder of such South African Securities.

The South African Register will be kept at the Specified Office of the South African Transfer Agent. The South African Register will, in relation to a Tranche of South African Securities, contain the name, address and bank account details of each South African Noteholder in that Tranche.

The South African Transfer Agent will amend the South African Register in respect of any change of name, address or bank account number of any of the South African Noteholders of which it is notified; provided that the South African Register will only be amended to reflect a transfer of South African Securities if such transfer is carried out in accordance with the provisions set out above.

1.5 Listing

An application may be made to list the South African Securities on the Main Board of the JSE, if so specified in the applicable Final Terms.

1.6 Miscellaneous

The Issuer and/or the South African Paying Agent shall be entitled to obtain information from the register of the CSD in accordance with the CSD Rules.

All South African Securities of the same Series shall have the same denomination.

The relevant specified currency is specified in the applicable Final Terms.

For the purposes of the South African Securities, where any period is expressed to run from (and including) a particular date to (but excluding) another date, such period shall instead run from (but excluding) the first date to (and including) the second date.

Any payments of all amounts (whether in respect of principal, interest or otherwise) due and payable in respect of any South African Securities shall be made by the South African Paying Agent, on behalf of the Issuer, on the terms and conditions of the South African Agency Agreement.

All notices to South African Noteholders, including but not limited to notices relating to meetings, events of default and any amendments to the JSE Placement Document, shall be published on SENS.

In the event that the Issuer makes any changes to the Base Prospectus that affect the terms and conditions of the South African Securities (other than any changes which, pursuant to Base Condition 19.1, the Issuer may make without the consent of the Securityholders), the Issuer must obtain approval from South African Noteholders by following the procedures set out in Base Condition 19. For the avoidance of doubt, Base Condition 19 provides for, in relevant circumstances, approval by a majority of at least 75 per cent. of the votes cast by Securityholders. This is in excess of the 66.6 per cent. majority requirement imposed in the Listing Requirements.

1.7 Definitions

In respect of South African Securities, all references in the Base Conditions to the “Agency Agreement” shall be deemed to be to the “South African Agency Agreement”, all references in the Base Conditions to the “Register” shall be deemed to be to the “South African Register”, all references in the Base Conditions to the “Registrar” and “Fiscal Agent” shall be deemed to be to the “South African Transfer Agent”, and all references in the Base Conditions to the “Paying Agent” shall be deemed to be to the “South African Paying Agent”.

Capitalised terms used but not otherwise defined herein or in the Base Conditions shall have the meanings given to them in the Base Prospectus or the JSE Placement Document.

The following definitions shall supplement the definitions set out in Base Condition 23:

“**Applicable Procedures**” means the rules and operating procedures for the time being of the CSD, the CSD Participants and the JSE;

“**Base Conditions**” means the general terms and conditions of the Securities issued under the Programme as set out in the section of the Base Prospectus headed “Terms and Conditions of the Securities – Base Conditions” on pages 47 to 75 of the Base Prospectus;

“**Base Prospectus**” means the iPath® VSTOXX® Base Prospectus of the Issuer dated 29 June 2012 (as supplemented or replaced from time to time);

“**Beneficial Interest**” means the interest that a South African Noteholder holds in respect of South African Securities;

“**Business Day**” means a day (i) (other than a Saturday, Sunday or statutory public holiday in South Africa) on which commercial banks settle payments in Rand in Johannesburg; and (ii) a day other than a Saturday or Sunday on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

“**Commercial Paper Regulations**” means the commercial paper regulations of 14 December 1994 issued pursuant to paragraph (cc) of the definition of “the business of a bank” in the South African Banks Act, set out in Government Notice 2172 and published in Government Gazette 16167 of 14 December 1994;

“**Common Monetary Area**” means South Africa, Lesotho, Namibia and Swaziland;

“**Computershare**” means Computershare Limited (registration number 2000/006082/06) incorporated with limited liability under and licensed as a CSD Participant under the South African Securities Services Act;

“**CSD**” means Strate Limited (registration number 1998/022242/06), licensed as a central securities depository in terms of section 32 of the South African Securities Services Act, and any reference to “CSD” shall, whenever the context permits, be deemed to include any successor depository operating in terms of the South African Securities Services Act, and any additional or alternate depository approved by the Issuer;

“**CSD's Nominee**” means a wholly owned subsidiary of the CSD approved in terms of the South African Securities Services Act, and any reference to “CSD's Nominee” shall, whenever the

context permits, be deemed to include any successor nominee operating in terms of the South African Securities Services Act;

“CSD Participant” means a person accepted by the CSD as a participant, as contemplated in section 34 of the South African Securities Services Act, and who is approved by the CSD, in terms of the rules of CSD;

“CSD Rules” means the rules of STRATE Limited promulgated by the CSD from time to time;

“Exchange Control Regulations” means the Exchange Control Regulations, 1961, promulgated under the Currency and Exchanges Act, 1933;

“Final Terms” means, in relation to each Tranche of Securities, the final terms applicable to such Tranche, the form of which is set out in the Base Prospectus, in the section headed “Form of Final Terms” on pages 91 to 103 of the Base Prospectus, a copy of which may be obtained free of charge from the Specified Office of the South African Transfer Agent, in each case to be read in conjunction with the Appendix headed “Disclosure Requirements in terms of paragraph 3(5) of the Commercial Paper Regulations” annexed thereto;

“JSE” means the JSE Limited (registration number 2005/022939/06) incorporated with limited liability under and licensed as an exchange under the South African Securities Services Act;

“Listings Requirements” means: (i) the applicable debt listings requirements promulgated by the JSE from time to time for the Interest Rate Market of the JSE and/or (ii) the applicable JSE listings requirements promulgated by the JSE from time to time for the Main Board of the JSE;

“JSE Placement Document” means the JSE Placement Document to be approved by the JSE, copies of which are available from the South African Market Maker;

“Market Making Agreement” means the agreement pursuant to which the South African Market Maker is appointed as such with a view to the South African Market Maker in normal market circumstances endeavouring to provide and maintain a reasonable bid and offer;

“R” or “Rand” or “ZAR” or “South African Rand” or “cent” means the lawful currency of South Africa;

“SENS” means the Stock Exchange News Service;

“South Africa” means the Republic of South Africa;

“South African Banks Act” means the Banks Act, 1990;

“South African Companies Act” means the Companies Act, 2008;

“South African Market Maker” means Absa Capital, the investment banking division of Absa Bank Limited (incorporated with limited liability under registration number 1986/004794/06 in South Africa), unless the Issuer elects to appoint another entity as South African Market Maker in relation to one or more Tranches of South African Securities, in which event such entity (and a description of the arrangements pursuant to which such entity has been so appointed by the Issuer) will be specified in the applicable Final Terms;

“South African Noteholders” means the holders of South African Securities recorded as such in the South African Register;

“**South African Paying Agent**” means Absa Bank Limited (incorporated with limited liability under registration number 1986/004794/06 in South Africa), unless the Issuer elects to appoint another entity as Paying Agent in relation to one or more Tranches of South African Securities, in which event such entity (and a description of the arrangements pursuant to which such entity as been so appointed by the Issuer) will be specified in the applicable Final Terms;

“**South African Register**” means the register of South African Noteholders of South African Securities maintained by the South African Transfer Agent as described in this Annex;

“**South African Securities**” means Securities traded on the JSE, cleared through the CSD and settled in Rand;

“**South African Securities Services Act**” means the Securities Services Act, 2004;

“**South African Transfer Agent**” means Computershare, unless the Issuer elects to appoint another entity as South African Transfer Agent in relation to one or more Tranches of South African Securities, in which event such entity (and a description of the arrangements pursuant to which such entity has been so appointed by the Issuer) will be specified in the applicable Final Terms; and

“**Specified Office**” means, in relation to each of the Issuer, the Determination Agent, the South African Market Maker, the South African Paying Agent and the South African Transfer Agent, the address of the office specified in respect of such entity at the end of the JSE Placement Document, or such other address as is notified by such entity (or, where applicable, a successor to such entity) to the South African Noteholders.

2 South African Taxation

The South African tax consequences of your investment in the South African Securities are uncertain and will depend on the surrounding circumstances and legislation applicable at the time. In the opinion of our tax advisers, your South African Securities should be treated as described below, but it is possible that the South African tax authorities may assert an alternative treatment. Because of this uncertainty, you might consider consulting your own tax adviser as to the tax consequences of your investment in the South African Securities. You might consider ensuring that any such advice is updated over the period of the investment.

The tax position of the Investor will be governed by the intention with which the Investor acquires the South African Securities. If the Investor buys the South African Securities as part of a scheme of profit-making, any income derived by the Investor would be included in the Investor’s gross income. Conversely, if the Investor acquires the South African Securities as a long-term investment on capital account, any gains could be subject to capital gains tax.

Where held by a South African resident on capital account, in broad terms the Investor may be subject to capital gains tax (or may suffer a capital loss for capital gains tax purposes, which may be off-set against other capital gains) on any disposal of the South African Securities or on Redemption of the South African Securities. The gain or loss amount would be the difference between the proceeds of disposal or the receipt of the Redemption Value in the event of a Redemption and original cost of acquisition of the South African Securities or the Issue Price, as the case may be. In general, a non-resident Investor will not be subject to capital gains tax in South Africa when disposing

of its investment, provided that the South African Securities do not constitute assets which give rise to the permanent establishment of the non-resident Investor.

Where held on revenue account, i.e. as part of a scheme of profit-making, the South African Securities would comprise trading stock. Generally speaking, the Investor would be subject to income tax when selling the South African Securities or on Redemption. The income or loss amount would be the difference between the selling price (on a disposal) or the Redemption Value (in the event of a Redemption) and the original cost of acquisition of the South African Securities, or the Issue Price thereof, as the case may be. The income receipt or accrual will arise in the year in which the South African Securities are disposed of, or the Redemption Value is paid (or legally due) to the Investor. The income tax treatment of a non-resident Investor may be affected by any double tax treaty between the United Kingdom and the country of residence of the Investor.

The issue and trading of the South African Securities in the secondary market will be exempt from VAT.

The issue, transfer and redemption of the South African Securities will not attract securities transfer tax under the Securities Transfer Tax Act, 2007. Any future transfer duties and/or taxes that may be introduced in respect of (or applicable to) the transfer of South African Securities will be for the account of South African Noteholders

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF TAX ADVICE RECEIVED BY THE ISSUER AND DOES NOT CONSTITUTE TAX ADVICE TO YOU. PROSPECTIVE INVESTORS MIGHT CONSIDER CONSULTING WITH THEIR OWN TAX ADVISERS PRIOR TO INVESTING TO DETERMINE THE TAX IMPLICATIONS OF SUCH INVESTMENT IN LIGHT OF EACH SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES. THE ISSUER AND ITS ADVISERS DO NOT ACCEPT ANY RESPONSIBILITY FOR LOSS OR DAMAGES SUFFERED BY ANY PERSON WHO ACTS OR REFRAINS FROM ACTING BASED ON THE INFORMATION CONTAINED HEREIN.

3 South African Purchase and Sale

The Issuer and each Manager who has (or will have) agreed to place South African Securities will be required to represent and agree that it will not solicit any offers for subscription for (or sale of) the South African Securities or offer for sale or subscription or sell any South African Securities, directly or indirectly, in South Africa or to any person or corporate or other entity resident in South Africa except in accordance with the South African Companies Act, the South African Banks Act, the Exchange Control Regulations and/or any other applicable laws and regulations of South Africa in force from time to time.

In particular, without limitation, the Base Prospectus (as read with this Annex), does not, nor is it intended to, constitute a prospectus (as that term is defined in the South African Companies Act) and each Manager who has (or will have) agreed to place a Tranche of South African Securities will be required to represent and agree that it will not make “an offer to the public” (as that term is defined in the South African Companies Act) of any South African Securities (whether for subscription or sale).

South African Securities will be offered in accordance with the Commercial Paper Regulations and will be taken up by the South African Market Maker in minimum denominations equal to or greater than R 1,000,000 only.

The South African Market Maker has been appointed in terms of the Market Making Agreement to endeavour, in normal market circumstances, to provide and maintain a reasonable bid and offer in respect of the South African Securities. The South African Market Maker is responsible for establishing and maintaining the secondary market of South African Securities. South African Noteholders will only be able to trade South African Securities on the secondary market if and from the time that their Beneficial Interest in such South African Securities is recorded as standing to the credit of their respective accounts with the CSD or the relevant CSD Participant, as the case may be.

The South African Market Maker cannot guarantee active trading but will, on a best effort basis, provide liquidity as required by the Listings Requirements. The South African Market Maker will trade in minimum size, as defined by the Minimum Securityholder Exercise Amount in the Final Terms.

For the purposes of the Commercial Paper Regulations, it is recorded that the “Ultimate Borrower”, as defined in the Commercial Paper Regulations, of the net proceeds from each Tranche of South African Securities will be the Issuer.

The net proceeds of South African Securities will be used in the general business of the Issuer or as may otherwise be described in the Final Terms.

4 BESA Guarantee Fund Trust and JSE Guarantee Fund

JSE Guarantee Fund

Holders of South African Securities listed on the Main Board of the JSE will have recourse against the JSE Guarantee Fund only if such South African Securities are traded by or through members of the JSE (in accordance with the Applicable Procedures) through the CSD electronic settlement system.

Claims against the JSE Guarantee Fund may only be made in respect of South African Securities listed on the Main Board of the JSE and only in accordance with the rules of the JSE Guarantee Fund.

BESA Guarantee Fund Trust

The BESA Guarantee Fund Trust is operated by the JSE as a separate guarantee fund, in terms of the Listings Requirements of the JSE and sections 9(1)(e) and 18(2)(x) of the South African Securities Services Act.

Holders of South African Securities listed on the Interest Rate Market of the JSE will have recourse against the BESA Guarantee Fund Trust only if such South African Securities are traded by or through members of the JSE (in accordance with the Applicable Procedures) through the CSD electronic settlement system.

Claims against the BESA Guarantee Fund Trust may only be made in respect of South African Securities listed on the Interest Rate Market of the JSE and only in accordance with the rules of the BESA Guarantee Fund Trust.

Unlisted South African Securities may not be issued under the Programme save with the prior approval of the South African Reserve Bank. Holders of South African Securities that are not listed on the Interest Rate Market of the JSE (if any) will have no recourse against the BESA Guarantee Fund Trust. Unlisted South African Securities are not regulated by the JSE.

5 South African Exchange Control

The Issuer makes no representation and gives no warranty or undertaking, express or implied, and accepts no responsibility for the accuracy or completeness of the information contained in this section.

The information below is not intended as advice and it does not purport to describe all of the considerations that may be relevant to a prospective purchaser of or subscriber for, South African Securities. Prospective purchasers of, or subscribers for, South African Securities who are non-South African residents or who are emigrants from the Common Monetary Area (as defined below) might consider obtaining further professional advice in regard to the purchase of or subscription for, South African Securities.

Blocked Rand

“Blocked Rand” means those funds which, in terms of the Exchange Control Regulations, may not be remitted out of South Africa or paid into a non-South African resident's bank account.

Emigrants from the Common Monetary Area

In the event that a Beneficial Interest in South African Securities is held by an emigrant from the Common Monetary Area through the CSD and the emigrant's CSD Participant, the securities account of such emigrant will be designated as an “emigrant” account. Any a certificate or written instrument given pursuant to section 44 of the South African Securities Services Act issued to South African Noteholders will be restrictively endorsed “non-resident”. Such restrictively endorsed certificate or written instrument shall be deposited with an authorised foreign exchange dealer controlling such emigrant's blocked assets. Emigrants will be entitled to use Blocked Rand for the purchase of, or subscription for, South African Securities.

Any payments of principal due to an emigrant holder in respect of South African Securities will be deposited into such emigrant's Blocked Rand account with the authorised foreign exchange dealer controlling such blocked assets. These amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

Non-residents of the Common Monetary Area

Any certificate or written instrument given to South African Noteholders pursuant to section 44 of the South African Securities Services Act who are not resident in the Common Monetary Area will be endorsed “non-resident”. In the event that a Beneficial Interest in South African Securities is held by a non-resident of the Common Monetary Area through the CSD and the non-resident's CSD Participant, the securities account of such holder will be designated as a “non-resident” account.

It will be incumbent on any such non-resident to instruct the non-resident's nominated authorised foreign exchange dealer as to how any funds due to such non-resident in respect of South African Securities are to be dealt with. Such funds may, in terms of the Exchange Control Regulations, be remitted abroad only if the relevant South African Securities are acquired with foreign currency introduced into South Africa and provided that the relevant certificates or written instruments given pursuant to section 44 of the South African Securities Services Act or the relevant securities account, as the case may be, is designated “non-resident”.

Use of offshore investment allowances by South African resident individuals, companies, trusts and institutional investors

The Issuer has received confirmation from the Exchange Control Department of the South African Reserve Bank that the listing of the South African Securities on the main board of the JSE means that:

- (i) the South African Securities may be purchased in the secondary market by South African resident individuals, companies and trusts without restriction and without such persons utilising their offshore investment allowances; and
- (ii) institutional investors will be required to use their offshore investment allowances when purchasing South African Securities in the secondary market.

Transfer of South African Securities to an offshore account

South African Noteholders who wish to transfer their South African Securities to any offshore accounts maintained by them will be responsible for ensuring that:

- (i) all authorisations or approvals of the Exchange Control Department of the South African Reserve Bank which may be required or be advisable to effect such transfer have been obtained or effected and are in full force and effect; and
- (ii) the relevant accounts with Clearstream, Frankfurt to effect such transfer have been opened. For the avoidance of doubt, such accounts must be separate and distinct from the common depository with which all Global Bearer Securities issued in respect of South African Securities will be deposited and to which reference is made in paragraph 1.2 (*Form, Title and Transfer of South African Securities*) above.

Any transfer by a South African Noteholder of South African Securities to an offshore account will be exclusively for the account of the relevant South African Noteholder.

Issuer's acceptance of responsibility in respect of contents of Final Terms

The Issuer accepts full responsibility for the accuracy of the information contained in the Final Terms. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in the Final Terms is in accordance with the facts and does not omit anything which would make any statement false or misleading and all reasonable enquiries to ascertain such facts have been made. The Final Terms contain all information required by law and the Listings Requirements of the JSE. Where information contained in the Final Terms has been sourced from a third party, this information has been accurately reproduced and, so far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The JSE takes no responsibility for the contents of the Final Terms, it makes no representation as to the accuracy or completeness of the contents thereof and expressly disclaims any liability for any loss arising from or in reliance upon the Final Terms.

FORM OF FINAL TERMS

The Final Terms for each Series of Securities will include such of the following information as is applicable with respect to such Securities and such other information as may be required from time to time by any applicable Relevant Stock Exchange.

Final Terms



BARCLAYS BANK PLC

(Incorporated with limited liability in England and Wales)

iPath® VSTOXX® PROGRAMME

and

GLOBAL STRUCTURED SECURITIES PROGRAMME

for the issue of Securities

[[CURRENCY]][AMOUNT/NUMBER][UP TO [AMOUNT/NUMBER]] iPath® VSTOXX® Mid-Term Futures Total Return Exchange Traded Note[s]]

Issue Price: [*issue price*] [of par]

[This document constitutes the final terms of the Securities (the "Final Terms") described herein for the purposes of Article 5.4 of Directive 2003/71/EC and is prepared in connection with the iPath® VSTOXX® Programme established by Barclays Bank PLC (the "Bank") and should be read in conjunction with the base prospectus dated 29 June 2012, as supplemented, amended, updated and/or restated from time to time, which constitutes a base prospectus (the "iPath® VSTOXX® Base Prospectus") for the purpose of Directive 2003/71/EC. Full information on the Issuer and the offer of the Securities is only available on the basis of the combination of these Final Terms and the iPath® VSTOXX® Base Prospectus including the information incorporated therein by reference. These Final Terms and the iPath® VSTOXX® Base Prospectus are available for viewing during normal business hours at the registered office of the Issuer and the specified office of the Issue and Paying Agent for the time being in London and copies may be obtained from such office. Words and expressions defined in the iPath® VSTOXX® Base Prospectus and not defined in this document shall bear the same meanings when used herein.]

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.

This document constitutes the final terms of the Securities (the "Final Terms") described herein for the purposes of Article 5.4 of Directive 2003/71/EC and is prepared in connection with the iPath® VSTOXX® Programme established by Barclays Bank PLC (the "Bank") and should be read in conjunction with the base prospectus dated 29 June 2012, as supplemented, amended, updated and/or restated from time to time, which constitutes a base prospectus (the "iPath® VSTOXX® Base Prospectus") for the purposes of Directive 2003/71/EC. The Base Conditions are extracted from the iPath® VSTOXX® Base Prospectus dated [14 October 2010]/[9 February 2012], which are incorporated by reference in the iPath® VSTOXX® Base Prospectus (the "Base Conditions"). Full information on the Issuer and the offer of the Securities is only available on the basis of the combination of these Final Terms and the iPath® VSTOXX® Base Prospectus including the information incorporated therein by reference. These Final Terms and the iPath® VSTOXX® Base Prospectus are available for viewing during normal business hours at the registered office of the Issuer and the specified office of the Issue and Paying Agent for the time being in London and copies may be obtained from such office. Words and expressions defined in the iPath® VSTOXX® Base Prospectus and not defined in this document shall bear the same meanings when used herein.]

The Issuer accepts responsibility for the information contained in these Final Terms. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in these Final Terms is in accordance with the facts and does not contain anything likely to affect the import of such information. [The information relating to [●] contained herein has been accurately extracted from [*insert information source(s)*]. The Issuer confirms that this information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Investors should refer to the sections headed "Risk Factors" in the iPath® VSTOXX® Base Prospectus for a discussion of certain matters that should be considered when making a decision to invest in the Securities.

[The Securities are issued in the form of Certificates notwithstanding that they are entitled "exchange traded notes".]

Final Terms dated [Issue Date]

The distribution of this document and the offer of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession these Final Terms come are required by the Bank to inform themselves about and to observe any such restrictions. Details of selling restrictions for various jurisdictions are set out in "Purchase and Sale" in the Principal Base Prospectus, as supplemented by the selling restrictions under the section "Purchase and Sale" in the iPath® VSTOXX® Base Prospectus.

Part A
Terms and Conditions of the Securities

The Securities shall have the following terms and conditions, which shall complete, modify and/or amend the Base Conditions set out in the iPath® VSTOXX® Base Prospectus.

[When adding any other terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the iPath® VSTOXX® Base Prospectus under Article 16 of Directive 2003/71/EC]

Parties

Issuer:	Barclays Bank PLC
Manager[s]:	Barclays Bank PLC
Determination Agent:	Barclays Bank PLC
Issue and Paying Agent:	The Bank of New York Mellon
Luxembourg Agent:	The Bank of New York Mellon (Luxembourg) S.A.
Frankfurt Agent:	The Bank of New York Mellon, Frankfurt Branch
Additional Agents:	[●] [Not Applicable]

[Insert the following paragraphs where TEFRA C Rules or TEFRA D Rules apply]

[THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) AND THE SECURITIES ARE SUBJECT TO US TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”) AND IN THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND REGULATIONS THEREUNDER. THESE FINAL TERMS HAVE BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE SECURITIES OUTSIDE THE UNITED STATES TO NON-US PERSONS IN RELIANCE ON REGULATION S AND FOR LISTING OF THE SECURITIES ON THE RELEVANT STOCK EXCHANGE, IF ANY, AS STATED HEREIN. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE SECURITIES AND DISTRIBUTION OF THESE FINAL TERMS AND THE IPATH® VSTOXX® BASE PROSPECTUS [AND THE BASE PROSPECTUS SUPPLEMENT[S]], SEE “PURCHASE AND SALE” IN THE PRINCIPAL BASE PROSPECTUS AND THE IPATH® VSTOXX® BASE PROSPECTUS.

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.]

[Insert the following paragraph where neither TEFRA C Rules nor TEFRA D Rules apply]

[THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) AND, SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”). THESE FINAL TERMS HAVE BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE SECURITIES OUTSIDE THE UNITED STATES TO NON-US PERSONS IN RELIANCE ON REGULATION S AND FOR LISTING OF THE SECURITIES ON THE RELEVANT STOCK EXCHANGE, IF ANY, AS STATED HEREIN. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE SECURITIES AND DISTRIBUTION OF THESE FINAL TERMS AND THE IPATH® VSTOXX® BASE PROSPECTUS [AND THE BASE PROSPECTUS SUPPLEMENT] SEE “PURCHASE AND SALE” IN THE PRINCIPAL BASE PROSPECTUS AND THE IPATH® VSTOXX® BASE PROSPECTUS.]

Provisions relating to the Securities

- | | | |
|---|---|---|
| 1 | Title: | [[CURRENCY]][AMOUNT/NUMBER][UP TO [AMOUNT/NUMBER]] iPath® VSTOXX® Mid-Term Futures Total Return Exchange Traded Note[s]] |
| 2 | (i) Series: | [•] |
| | (ii) Tranche: | [•] |
| 3 | Notes: | [Applicable]
[N/A] |
| | (i) Aggregate Nominal Amount as at the Issue Date: | [•] / [Up to [•]] |
| | (ii) Specified Denomination: | [•]
<i>[For multiple Specified Denominations greater than EUR50,000 (or equivalent) insert:]</i>
[EUR50,000] and integral multiples of [EUR1,000] in excess thereof [up to and including [EUR99,000].] [Notes will not be issued in definitive form with a Specified Denomination above [EUR99,000].] |
| | [(iii) Calculation Amount per Security as at the Issue Date:] | [•]
<i>[Insert this for Notes having multiple Specified Denominations]</i> |
| 4 | Certificates: | [Applicable]
[N/A] |
| | (i) Number of Certificates: | [•]/[Up to [•]] |
| | (ii) Calculation Amount per Security as | [•] |

	at the Issue Date:	
5	Form:	
	(i) Global/Definitive:	Global Bearer Securities [Temporary Global Security, exchangeable for a Permanent Global Security]/[Permanent Global Security]
	(ii) CGN Form:	Applicable
	(iii) Exchangeable for Definitive Bearer Securities:	[Yes]/[Only in limited circumstances as further set out in Base Condition 1.1(a)]
	(iv) CDIs:	[Applicable] [N/A]
	(v) Other:	[The provisions set out in the [Swedish Securities][South African Securities] Annex shall apply] [N/A]
6	Trade Date:	[•]
7	Issue Date:	[•]
8	Strike Date:	[•]
9	Issue Price:	[Notes – [•] per cent. of the Aggregate Nominal Amount] [Certificates – [•] per Security]
10	Relevant Stock Exchange[s]:	[London Stock Exchange] [Frankfurt Stock Exchange] [Other (<i>specify</i>)] [Not Applicable]
11	Related Exchange:	[All Exchanges]
Provisions relating to Redemption		
12	Redemption Date:	[•]
13	Settlement Method:	Cash Settlement
14	Final Valuation Date:	[•]
15	Final Cash Settlement Amount:	Subject to the occurrence of an Index Adjustment Event and/or any Additional Disruption Event, an amount [per Specified Denomination] or [per Calculation Amount per Security] in the Settlement Currency equal to the Redemption Value as of the Final Valuation Date.
16	Valuation Time:	[As defined in Base Condition 23]

		[•]
17	Settlement Currency:	[•]
18	Early Cash Redemption Date:	[As defined in Base Condition 23] [•]
19	Early Redemption Notice Period:	[As defined in Base Condition 5.4] [•]
20	Annual Fee:	[•]
21	Call Option:	Applicable
	(i) Optional Cash Redemption Date:	[As defined in Base Condition 23] [Other (<i>specify</i>)]
	(ii) Issuer Option Exercise Period:	[As defined in Base Condition 23][•] [Other (<i>specify</i>)]
	(iii) Optional Cash Redemption Date:	[As defined in Base Condition 23] [Other (<i>specify</i>)]
22	Securityholder Put Option:	[Applicable] [N/A]
	(i) Securityholder Put Notice Period:	[As per Base Condition [•] / [•] Business Days]
	(ii) Minimum Securityholder Exercise Amount:	[•] [in aggregate nominal amount of the Securities]/[in number of the Securities]
	(iii) Securityholder Option Exercise Period:	[From and including [•], to and including [•]]
	(iv) Securityholder Optional Redemption Date:	[•]/[The third Business Day following the Securityholder Option Exercise Notice Effective Date]
	(v) Securityholder Optional Redemption Percentage:	[•]
23	Index:	[EURO STOXX 50® Volatility Mid-Term Futures Total Return Index]/[<i>other</i>]
24	Index Level:	[<i>Specify method of determination of Index Level on the Price Source</i>]
25	Price Source:	[(Specify relevant Bloomberg Code for the relevant [<i>Index</i>])]
26	Exchange:	[EUREX]/[<i>Specify</i>]
Provisions regarding Market Disruption Events and Index Adjustment Events		
27	Consequences of Market Disruption Events:	As set out in Base Condition 5.4
28	Index Adjustment Events:	As set out in Base Condition 5.1
Provisions relating to Additional Disruption Events		

- 29 Issuer Tax Event: Applicable
- 30 Change in Law: Applicable
- 31 Hedging Disruption: Applicable
- 32 Increased Cost of Hedging: Applicable
- 33 Additional Disruption Event(s) in addition to those specified in Condition 23 of the Base Conditions: [N/A][*Insert*]
- 34 Additional terms and conditions relating to the Securities: [•]
(Additional terms and conditions should only be specified where the Series is an unlisted private placement)

Definitions

- 35 Business Day Convention: [Following Business Day Convention]
[Modified Following Business Day Convention]
[Nearest Business Day Convention]
[Preceding Business Day Convention]
- 36 Additional Business Centre(s): [•]

Selling restrictions and provisions relating to certification

- 37 Non-US Selling Restrictions: [As described in the iPath® VSTOXX® Base Prospectus]
[Other (*specify*)]
[N/A]
- 38 Applicable TEFRA exemption: [C Rules; C Rules Applicable]
[D Rules; D Rules Applicable]
[N/A]

General

- 39 Relevant Clearing System[s]: [Euroclear]
[Clearstream]
[Clearstream Frankfurt]
[CREST, in respect of CDIs]
[*Specify details including address if different*]
- 40 If syndicated, names [and addresses] of Managers [and underwriting commitments]: [N/A]
[*give names and addresses and underwriting commitments*]
- 41 Relevant securities codes: ISIN: [•]
Common Code: [•]

- [Valoren: [●]]
 [WKN: [●]]
 [CUSIP: [●]]
 [SEDOL: [●]]
 [Other (*specify*)]
 42 Additional Series Specific Risk Factors: [*Specify details*]
 (*Additional risk factors should only be specified where the Series is an unlisted private placement*)

Annexes

- 43 Swedish Securities: [Applicable]
 [N/A]
 44 South African Securities: [Applicable]
 [N/A]

(The following line items may only apply if “South African Securities” is specified as “Applicable”)

- 45 South African Market Maker: [*Specify entity if not Absa Capital*] (*delete line item if South African Market Maker is Absa Capital*)
 46 South African Paying Agent: [*Specify entity if not Absa Bank Limited*] (*delete line item if South African Paying Agent is Absa Bank Limited*)
 47 South African Transfer Agent: [*Specify entity if not Computershare*] (*delete line item if South African Transfer Agent is Computer Share*)

Part B
Other Information

1 LISTING AND ADMISSION TO TRADING

- (i) Listing: [London/Frankfurt/Paris/Sweden/South Africa/other (specify)/None]
- (ii) Admission to trading: [Application is expected to be made by the Issuer (or on its behalf) for the Securities to be admitted to trading on [the London Stock Exchange’s Regulated Market]/[Frankfurt Stock Exchange’s Regulated Market]/ [Euronext Paris’ Regulated Market]/ [NASDAQ OMX Stockholm AB]/[Burgundy]/[the Main Board of the JSE] *[specify]* on or around the Issue Date.] [The Regulated Market[s] of the] [the London Stock Exchange] [and the] [Frankfurt Stock Exchange] [and] [Euronext Paris] [is a] [are] regulated market[s] for the purposes of Directive 2004/39/EC.
(Where documenting a fungible issue, indicate that original Securities are already admitted to trading.)
- (iii) Estimate of total expenses related to admission to trading: [•]
- (iv) Name and address of the Market Makers that are to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment: [•]/[None]
[Specify basic terms and conditions of market making arrangements to be provided by the relevant Market Maker]

2 RATINGS

- Ratings: [The Securities have not been individually rated.]
[Upon issuance the Securities are expected to be rated:
[S&P: []]
[The credit rating[s] referred to above will be treated for the purposes of Regulation (EC) No 1060/2009 on credit rating agencies (the “**CRA Regulation**”) as having been issued by Standard & Poor’s Credit Market Services Europe Limited, which is established in the European Union and has been registered under the CRA Regulation.]

[[Other]: []]

[The credit rating referred to above will be treated for the purposes of Regulation (EC) No 1060/2009 on credit rating agencies (the “CRA Regulation”) as having been issued by [Other], which is a [registered rating agency established in the EU] / [unregistered rating agency established outside the EU] / [third country rating agency that is endorsed by an EU registered agency] / [third country rating agency that has not applied to be registered but is certified] in accordance with the CRA Regulation.]

3 NOTIFICATION

[The Financial Services Authority of the United Kingdom has been requested to provide/has provided [include first alternative for an issue which is contemporaneous with the establishment or update of the iPath® VSTOXX® Programme and the second alternative for subsequent issues] the [include names of competent authorities of host Member States] with a certificate of approval attesting that the iPath® VSTOXX® Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

[Not Applicable]

4 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:]

[Not Applicable]

[Save as discussed in [],] so far as the Issuer is aware, no person involved in the offer of the Securities has an interest material to the offer.]

[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the iPath® VSTOXX® Base Prospectus under Article 16 of the Prospectus Directive.)]

5 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i)] Reasons for the offer:

[General funding]

[Specify if other reasons]

(See “Use of Proceeds” wording in the iPath®

VSTOXX® Base Prospectus - if reasons for offer different from general corporate purposes and/or hedging certain risks will need to include those reasons here.)

[(ii)] Estimated net proceeds:

[•]

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

[(iii)] Estimated total expenses:

[•]

[Include breakdown of expenses]

(If the Securities are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)

6 OPERATIONAL INFORMATION

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme (together with their addresses) and the relevant identification number(s):

Clearstream, Frankfurt

[Euroclear CREST]

[Euroclear France]

[insert name(s) and number(s) and/or amendments to the Conditions]

Delivery:

Delivery [against/free of] payment

7 OFFER INFORMATION

[If applicable, the following details should be included:]

(i) Offer Price:

[Issue Price]

[specify]

[To be determined on the basis of the prevailing market conditions on or around the Price Determination Date]

(ii) [Price Determination Date:]

[•]

(iii) [Total Amount of the Offer. If the amount is not fixed, description of arrangements and time for announcing to the public the definitive amount of the Offer:]

[To be determined on the basis of demand for the Securities and prevailing market conditions and published in accordance with Article 8 of the Prospectus Directive]

(iv) Conditions to which the offer is subject:

[Not Applicable/give details]

- [Right to cancel: The offer may be cancelled if the nominal amount or aggregate number of Securities purchased is less than the minimum amount specified below, or if the Issuer assesses, at its absolute discretion, that any applicable laws, court rulings, decisions by governmental or other authorities or other similar factors render it illegal, impossible or impractical, in whole or in part, to complete the offer or that there has been a material adverse change in the market conditions]
- (v) Time period during which the offer will be open: [The period from and including the Issue Date of the first Tranche of this Series to but excluding the Redemption Date]/[●]
- (vi) Description of the application process: [Not Applicable/*give details*]
 [Purchases from the relevant Distributors/Market Makers can be made by submitting to the relevant Distributor/Market Maker a form provided by the relevant Distributor/Market Maker, or otherwise as instructed by the relevant Distributor/Market Maker]
- (vii) Details of the minimum and/or maximum amount of application: [Not Applicable/*give details*]
- (viii) Details of method and time limits for paying up and delivering the Securities: [Not Applicable/*give details*]
 [Payments for the Securities shall be made to the relevant Distributor/Market Maker on [[●]/[such date as the relevant Distributor/Market Maker may specify] as instructed by the relevant Distributor/Market Maker]
 [The Securities are expected to be delivered to the purchasers' respective accounts on or around [[●]/[the date as notified by the relevant Distributor/Market Maker]]]
- (ix) Manner in and date on which results of the offer are to be made public: [Not Applicable/*give details*]
- (x) Categories of prospective Investors to which the Securities are offered and whether tranche(s) have been reserved for certain countries: [Not Applicable/*give details*]
- (xi) Process for notification to applicants of [Not Applicable/*give details*]

the amount allotted and indication whether dealing may begin before notification is made: [Applicants will be notified by the relevant Distributor/Market Maker of the success of their application. Dealings in the Securities may begin before such notification is made]

(xii) Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable/*give details*]
[The Issuer may also pay a commission or other amount to Distributors/Market Makers in connection with this offer]

(xiii) Name(s) and address(es), to the extent known to the Issuer, of the placers (“Distributors”) in the various countries where the offer takes place: [Not Applicable/Name/*give details*]

(xiv) Market-Maker: [Not Applicable/*give details*]

(xv) Market Making Agreement with the Issuer: [Yes / No]

(xvi) [Liability for the offer:] [Any offers made by a Distributor/Market Maker will be made in its own name and not as an agent of the Issuer and only the relevant Distributor/Market Maker will be liable for the relevant offer. The Issuer does not accept any liability for the offer or sale of Securities by the relevant Distributor/Market Maker]

[[The Issue Price includes a commission element to be shared with a third party which shall not exceed [●] per cent., further details of which are available upon request.][*Or if applicable*] [A distribution fee has been paid to a third party. The amount of this fee will not exceed [●] per cent. of the Aggregate Nominal Amount for each year of the term of the Securities. Such fee shall be paid [on the Trade Date]/[annually] and is not refundable in the event of early redemption or sale on the secondary market.]]

If Securities are in global form or uncertificated registered form, (x) any calculations in respect of such Securities shall be made in respect of the aggregate nominal amount or number, as the case may be, of such Securities from time to time outstanding (or the relevant affected portion thereof) and (y) the result of any such calculation shall be rounded in accordance with the relevant method specified in Base Condition 7.1

[*Insert Index disclaimer*]

FORM OF FINAL TERMS FOR ITALIAN SECURITIES

The Final Terms for each Series of Italian Securities will include such of the following information as is applicable with respect to such Italian Securities and such other information as may be required from time to time by any applicable Relevant Stock Exchange.

Final Terms



BARCLAYS BANK PLC

(Incorporated with limited liability in England and Wales)

iPath® VSTOXX® PROGRAMME

for the issue of Securities

[[CURRENCY]][AMOUNT/NUMBER][UP TO [AMOUNT/NUMBER]] iPath® VSTOXX® Mid-Term Futures Total Return Exchange Traded Note[s]

Issue Price: *[issue price]* [of par]

This document constitutes the final terms of the Securities (the "Final Terms") described herein for the purposes of Article 5.4 of the Directive 2003/71/EC and is prepared in connection with the iPath® VSTOXX® Programme established by Barclays Bank PLC (the "Bank") and should be read in conjunction with the base prospectus dated 29 June 2012, as supplemented, amended, updated and/or restated from time to time, which constitutes a base prospectus (the "iPath® VSTOXX® Base Prospectus") for the purposes of Directive 2003/71/EC. The Base Conditions are extracted from the iPath® VSTOXX® Base Prospectus dated [14 October 2010]/[9 February 2012], which are incorporated by reference in the iPath® VSTOXX® Base Prospectus (the "Base Conditions"). Full information on the Issuer and the offer of the Securities is only available on the basis of the combination of these Final Terms and the iPath® VSTOXX® Base Prospectus including the information incorporated therein by reference. These Final Terms and the iPath® VSTOXX® Base Prospectus are available for viewing during normal business hours at the registered office of the Issuer and the specified office of the Issue and Paying Agent for the time being in London and copies may be obtained from such office. Words and expressions defined in the iPath® VSTOXX® Base Prospectus and not defined in this document shall bear the same meanings when used herein.]

The Issuer accepts responsibility, for the information contained in these Final Terms. To the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in these Final Terms is in accordance with the facts and does not contain anything likely to affect the import of such information. [The information relating to [●] contained herein has been accurately extracted from *[insert information source(s)]*. The Issuer confirms that this information has been accurately reproduced and that, as far as the Issuer is aware and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Investors should refer to the sections headed "Risk Factors" in the iPath® VSTOXX® Base Prospectus for a discussion of certain matters that should be considered when making a decision to invest in the Securities.

The Securities are issued in the form of Certificates notwithstanding that they are entitled "exchange traded notes".

Barclays Bank PLC

Final Terms dated *[Issue Date]*

The distribution of this document and the offer of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession these Final Terms come are required by the Bank to inform themselves about and to observe any such restrictions. Details of selling restrictions for various jurisdictions are set out in "Purchase and Sale" in the Principal Base Prospectus, as supplemented by the selling restrictions under the section "Purchase and Sale" in the iPath® VSTOXX® Base Prospectus.

Part A
Terms and Conditions of the Securities

The Securities shall have the following terms and conditions, which shall complete, modify and/or amend the Base Conditions set out in the iPath® VSTOXX® Base Prospectus.

These Securities are Italian Securities. Securityholders should refer to the provisions set out at Base Condition 24, which shall apply to the Securities.

[When adding any other terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the iPath® VSTOXX® Base prospectus under Article 16 of Directive 2003/71/EC]

Parties

Issuer:	Barclays Bank PLC
Manager[s]:	Barclays Bank PLC
Determination Agent:	Barclays Bank PLC
Issue and Paying Agent:	The Bank of New York Mellon
Luxembourg Agent:	The Bank of New York Mellon (Luxembourg) S.A.
Frankfurt Agent:	The Bank of New York Mellon, Frankfurt Branch
Additional Agents:	[•] [Not Applicable]

[Insert the following paragraphs where TEFRA C Rules or TEFRA D Rules apply]

[THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) AND THE SECURITIES ARE SUBJECT TO US TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”) AND IN THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND REGULATIONS THEREUNDER. THESE FINAL TERMS HAVE BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE SECURITIES OUTSIDE THE UNITED STATES TO NON-US PERSONS IN RELIANCE ON REGULATION S AND FOR LISTING OF THE SECURITIES ON THE RELEVANT STOCK EXCHANGE, IF ANY, AS STATED HEREIN. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE SECURITIES AND DISTRIBUTION OF THESE FINAL TERMS AND THE IPATH® VSTOXX® BASE PROSPECTUS [AND THE BASE PROSPECTUS SUPPLEMENT[S]], SEE “PURCHASE AND SALE” IN THE PRINCIPAL BASE PROSPECTUS AND THE IPATH® VSTOXX® BASE PROSPECTUS.

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.]

[Insert the following paragraph where neither TEFRA C Rules nor TEFRA D Rules apply]

[THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) AND, SUBJECT TO CERTAIN EXCEPTIONS, THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”)). THESE FINAL TERMS HAVE BEEN PREPARED BY THE ISSUER FOR USE IN CONNECTION WITH THE OFFER AND SALE OF THE SECURITIES OUTSIDE THE UNITED STATES TO NON-US PERSONS IN RELIANCE ON REGULATION S AND FOR LISTING OF THE SECURITIES ON THE RELEVANT STOCK EXCHANGE, IF ANY, AS STATED HEREIN. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS AND SALES OF THE SECURITIES AND DISTRIBUTION OF THESE FINAL TERMS AND THE IPATH® VSTOXX® BASE PROSPECTUS [AND THE BASE PROSPECTUS SUPPLEMENT[S]] SEE “PURCHASE AND SALE” IN THE PRINCIPAL BASE PROSPECTUS AND THE IPATH® VSTOXX® BASE PROSPECTUS.]

Provisions relating to the Securities

- | | | |
|---|--|--|
| 1 | Title: | [[CURRENCY]][AMOUNT/NUMBER][UP TO [AMOUNT/NUMBER]] iPath® VSTOXX® Mid-Term Futures Total Return Exchange Traded Note[s]] |
| 2 | (i) Series: | [•] |
| | (ii) Tranche: | [•] |
| 3 | Notes: | [Applicable]
[Not Applicable] |
| 4 | Certificates: | [Applicable]
[N/A] |
| | (i) Number of Certificates: | [•]/[Up to [•]] |
| | (ii) Calculation Amount per Security as at the Issue Date: | [•] |
| | (iii) Minimum Lot: | 1

(The Minimum Lot should always be 1 as this would otherwise have a leveraging effect in the Redemption Value formula) |
| 5 | Form: | |
| | (i) Global/Definitive: | Global Bearer Securities:
[Temporary Global Security, exchangeable for a Permanent Global Security]/[Permanent Global Security] |
| | (ii) CGN Form: | Applicable |

(iii)	Exchangeable for Definitive Bearer Securities:	[Yes]/[Only in limited circumstances as further set out in Base Condition 1.1(a)]
6	Trade Date:	[•]
7	Issue Date:	[•]
8	Strike Date:	[•]
9	Issue Price:	[•] per Security
10	Relevant Stock Exchange[s]:	[London Stock Exchange] [Frankfurt Stock Exchange] [Italian Stock Exchange] [Other (<i>specify</i>)] [Not Applicable]
11	Related Exchange:	[All Exchanges]
Provisions relating to Redemption		
12	Redemption Date:	[•]
13	Settlement Method:	Cash
14	Final Valuation Date:	[•]
15	Final Cash Settlement Amount:	[Subject to the occurrence of an Index Adjustment Event and/or any Additional Event, an amount per Calculation Amount per Security in the Settlement Currency equal to the Redemption Value as of the Final Valuation Date]
16	Valuation Time:	[As defined in Base Condition 23] [•]
17	Renouncement Notice Cut-off Time:	[5.00 pm Milan time on the Business Day following the Final Valuation Date] For so long as the Securities are listed on the Italian Stock Exchange, the Securities shall be deemed to expire at the Renouncement Notice Cut-off Time and trading in the Securities on the Italian Stock Exchange shall cease at such time
18	Settlement Currency	EUR[•] (<i>NB Italian securities require settlement to be in Euro</i>)
	(i) [Base Currency:	[Settlement Currency]]
	(ii) [Quote currency:	[•]]
19	Early Cash Redemption Date:	[As defined in Base Condition 23]

		[•]
20	Early Redemption Notice Period:	[As defined in Base Condition 5.4]
		[•]
21	Annual Fee:	[•]
22	Call Option:	Applicable
	(i) Trigger Multiple:	[4]
		[•]
	(ii) Optional Cash Redemption Date:	[As defined in Base Condition 23]
		[Other (<i>specify</i>)]
		[Not Applicable]
	(ii) Issuer Option Exercise Period:	[As defined in Base Condition 23][•]
		[Not Applicable]
23	Securityholder Put Option:	[Applicable / Not Applicable]
	(i) [Securityholder Put Notice Period:	[As per Base Condition [•]/[Business Days]]
	(ii) Minimum Securityholder Exercise Amount:	[•] in number of the Securities
	(iii) Securityholder Option Exercise Period:	[From and including [•], to and including [•]]
	(iv) Securityholder Optional Redemption Date:	[•]/[The third Business Day following the Securityholder Option Exercise Notice Effective Date]
	(v) Securityholder Optional Redemption Percentage:	[•]
24	Index:	[EURO STOXX 50® Volatility Mid-Term Futures Total Return Index]
25	Index Level:	[Specify method of determination of Index Level on the Price Source]
26	Price Source:	[(Specify relevant [Bloomberg][Reuters] Code for the relevant [<i>Index</i>])]
27	Exchange:	[EUREX]/[Specify]
Provisions regarding Market Disruption Events and Index Adjustment Events		
28	Consequences of Market Disruption Events:	As set out in Base Condition 5.4
29	Index Adjustment Events:	As set out in Base Condition 5.1
Provisions relating to Additional Disruption Events		
30	Issuer Tax Event:	Applicable
31	Change in Law:	Applicable
32	Hedging Disruption:	Applicable

- 33 Increased Cost of Hedging: Applicable
- 34 Additional Disruption Event(s): [Not Applicable][Insert]
- 35 Additional terms and conditions relating to the Securities: [•]
[Not Applicable]
(Additional terms and conditions should only be specified where the Series is an unlisted private placement)

Definitions

- 36 Business Day Convention: [Following Business Day Convention]
[Modified Following Business Day Convention]
[Nearest Business Day Convention]
[Preceding Business Day Convention]
- 37 Additional Business Centre(s): [•]

Selling restrictions and provisions relating to certification

- 38 Non-US Selling Restrictions: [As described in the iPath® VSTOXX® Base Prospectus]
[Other (specify)]
[Not Applicable]
- 39 Applicable TEFRA exemption: [C Rules]
[D Rules]
[N/A]

General

- 40 Relevant Clearing System[s]: [Euroclear]
[Clearstream, Luxembourg]
[Clearstream, Frankfurt]
[CREST, in respect of CDIs]
[Specify details including address if different]
- 41 If syndicated, names [and addresses] of Managers [and underwriting commitments]: [Not Applicable]
[give names and addresses and underwriting commitments]
- 42 Relevant securities codes: ISIN: [•]
Common Code: [•]
[Valoren: [•]]
[WKN: [•]]
[CUSIP: [•]]
[SEDOL: [•]]

43 Additional Series Specific Risk Factors:

[Other (*specify*)]

[*Specify details*]

(Additional risk factors should only be specified where the Series is an unlisted private placement)

Part B
Other Information

1 LISTING AND ADMISSION TO TRADING

- (i) Listing: [London/Frankfurt/Italy/other (*specify*)/None]
[The Issuer reserves the right for the Securities to be admitted to the official list of the Italian Stock Exchange [on or around the Issue Date] in its absolute discretion. No assurance is given that, if any such application is made, it will be successful]
- (ii) Admission to trading: [Application is expected to be made by the Issuer (or on its behalf) for the Securities to be admitted to trading on [the London Stock Exchange's Regulated Market]/[Frankfurt Stock Exchange's Regulated Market] / [the Electronic Securitised Derivatives Market (SeDeX) organised and managed by the Italian Stock Exchange] / [specify other] on or around the Issue Date.][The Issuer reserves the right to apply for Securities to be admitted to trading on the Electronic Securitised Derivatives Market (SeDeX) organised and managed by the Italian Stock Exchange [on or around the Issue Date] in its absolute discretion. No assurance is given that, if any such application, if made, it will be successful] The Regulated Market[s] of the [the London Stock Exchange] [and the] [Frankfurt Stock Exchange] [and the] [is a] [are] regulated market[s] for the purposes of Directive 2004/39/EC.
(Where documenting a fungible issue, indicate that original Securities are already admitted to trading.)
- (iii) Estimate of total expenses related to admission to trading: [●]
- (iv) Name and address of the Market Makers that are to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment: [●]/[None]
[Specify basic terms and conditions of market making arrangements to be provided by the relevant Market Maker]

2 RATINGS

Ratings:

[The Securities have not been individually rated.]

[Upon issuance the Securities are expected to be rated:

[S&P: [●]]

[The credit rating[s] referred to above will be treated for the purposes of Regulation (EC) No 1060/2009 on credit rating agencies (the “**CRA Regulation**”) as having been issued by Standard & Poor’s Credit Market Services Europe Limited, which is established in the European Union and has been registered under the CRA Regulation.]

[[Other]: [●]]

[The credit rating referred to above will be treated for the purposes of Regulation (EC) No 1060/2009 on credit rating agencies (the “**CRA Regulation**”) as having been issued by [Other], which is a [registered rating agency established in the EU] / [unregistered rating agency established outside the EU] / [third country rating agency that is endorsed by an EU registered agency] / [third country rating agency that has not applied to be registered but is certified] in accordance with the CRA Regulation.]

3 NOTIFICATION

[The Financial Services Authority of the United Kingdom has been requested to provide/has provided [include first alternative for an issue which is contemporaneous with the establishment or update of the iPath® VSTOXX® Programme and the second alternative for subsequent issues] the [include names of competent authorities of host Member States] with a certificate of approval attesting that the iPath® VSTOXX® Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

[Not Applicable]

4 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:]

[Not Applicable]

[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]

5 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- [(i)] Reasons for the offer: [General funding]
[Specify if other reasons]
(See “Use of Proceeds” wording in the iPath® VSTOXX® Base Prospectus - if reasons for offer different from general corporate purposes and/or hedging certain risks will need to include those reasons here.)
- [(ii)] Estimated net proceeds: [●]
(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)
- [(iii)] Estimated total expenses: [●]
[Include breakdown of expenses]
(If the Securities are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)

6 OPERATIONAL INFORMATION

- Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme (together with their addresses) and the relevant identification number(s): Clearstream, Frankfurt
[Euroclear CREST]
[insert name(s) and number(s) and/or amendments to the Conditions]
[There are no further additional Clearing Systems, provided that bridge accounts at Monte Titoli S.p.A. can be used for transactions on the Italian Stock Exchange.]
- Delivery: Delivery [against/free of] payment

7 OFFER INFORMATION

[If applicable, the following details should be included:]

- (i) Offer Price: [Issue Price]
[specify]
[To be determined on the basis of the prevailing market conditions on or around the Price Determination Date]
- (ii) [Price Determination Date:] [●]
- (iii) [Total Amount of the Offer. If the amount is not fixed, description of arrangements and time for announcing to the public the definitive amount of the Offer:] [To be determined on the basis of demand for the Securities and prevailing market conditions and published in accordance with Article 8 of the Prospectus Directive]
- (iv) Conditions to which the offer is subject: [Not Applicable/*give details*]
[Right to cancel: The offer may be cancelled if the nominal amount or aggregate number of Securities purchased is less than the minimum amount specified below, or if the Issuer assesses, at its absolute discretion, that any applicable laws, court rulings, decisions by governmental or other authorities or other similar factors render it illegal, impossible or impractical, in whole or in part, to complete the offer or that there has been a material adverse change in the market conditions]
- (v) Time period during which the offer will be open: [The period from and including the Issue Date of the first Tranche of this Series to but excluding the Redemption Date]/[●]
- (vi) Description of the application process: [Not Applicable/*give details*]
[Purchases from the relevant Distributors/Market Makers can be made by submitting to the relevant Distributor/Market Maker a form provided by the relevant Distributor/Market Maker, or otherwise as instructed by the relevant Distributor/Market Maker]
- (vii) Details of the minimum and/or maximum amount of application: [Not Applicable/*give details*]
- (viii) Details of method and time limits for paying up and delivering the Securities: [Not Applicable/*give details*]
[Payments for the Securities shall be made to the relevant Distributor/Market Maker on [[●]/[such date as the relevant Distributor/Market Maker may specify] as instructed by the relevant Distributor/Market Maker]

- [The Securities are expected to be delivered to the purchasers' respective accounts on or around [[●]/[the date as notified by the relevant Distributor/Market Maker]]
- (ix) Manner in and date on which results of the offer are to be made public: [Not Applicable/*give details*]
- (x) Categories of prospective Investors to which the Securities are offered and whether tranche(s) have been reserved for certain countries: [Not Applicable/*give details*]
- (xi) Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made: [Not Applicable/*give details*]
[Applicants will be notified by the relevant Distributor/Market Maker of the success of their application. Dealings in the Securities may begin before such notification is made]
- (xii) Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable/*give details*]
[The Issuer may also pay a commission or other amount to Distributors/Market Makers in connection with this offer]
- (xiii) Name(s) and address(es), to the extent known to the Issuer, of the placers ("Distributors") in the various countries where the offer takes place: [Not Applicable/Name/*give details*]
- (xiv) Market-Maker: [Not Applicable/*give details*]
- (xv) Market Making Agreement with the Issuer: [Yes / No]
- (xvi) [Liability for the offer:] [Any offers made by a Distributor/Market Maker will be made in its own name and not as an agent of the Issuer and only the relevant Distributor/Market Maker will be liable for the relevant offer. The Issuer does not accept any liability for the offer or sale of Securities by the relevant Distributor/Market Maker]

[[The Issue Price includes a commission element to be shared with a third party which shall not exceed [●] per cent., further details of which are available upon request.][*Or if applicable*] [A distribution fee has been paid to a third party. The amount of this fee will not exceed [●] per cent, of the aggregate Calculation Amounts per Security for each year of the term of the Securities. Such fee shall be paid [on the Trade Date]/[annually] and is not refundable in the event of early redemption or sale on the secondary market.]]

For Italian Securities offered to the public in Italy, include (i) yield scenarios i.e. positive scenario, intermediate scenario and worse-case scenario; (ii) back-testing simulation; and (iii) the source of all third party information.

FORM OF NOTICE FROM BENEFICIAL OWNER TO FINANCIAL INTERMEDIARY

NOTICE FROM THE BENEFICIAL OWNER TO HIS/HER FINANCIAL INTERMEDIARY

(to be completed by the beneficial owner of the Securities for the valid renunciation of automatic exercise of Securities)

BARCLAYS BANK PLC

[insert title of Securities]

ISIN: []

(the "Securities")

To: [Financial Intermediary]

(the "Financial Intermediary")

We, the undersigned beneficial owner(s) of Securities, hereby communicate that we are renouncing the right to automatic exercise of the Securities specified below, in accordance with the conditions of the Securities.

The undersigned understands that if this notice is not duly completed and delivered in order to enable the Securityholder to renounce automatic redemption of the Securities prior to the Renunciation Notice Cut-Off time, or if this notice is determined to be incomplete or not in proper form [(in the determination of the Financial Intermediary)] it will be treated as null and void.

ISIN Code/Series number of the Securities: []

Number of Italian Securities the subject of this notice: []

Name of beneficial owner of the Securities

Signature

DESCRIPTION OF THE INDEX

EURO STOXX 50® Volatility Mid-Term Futures Total Return Index

1 Overview

1.1 Concept

The Index measures the return from a rolling long position in the fourth, fifth, sixth and seventh month VSTOXX® Futures Contract. The Index rolls from the fourth month VSTOXX® Futures Contract into the seventh month VSTOXX® Futures Contract on a daily basis while maintaining a position in the fifth and sixth month VSTOXX® Futures Contracts.

The Index is calculated and disseminated by STOXX Limited (the “Index Sponsor”).

VSTOXX® Index: The VSTOXX® Index is based on real time option prices on the EURO STOXX 50® Index and is designed to reflect the market expectations of near-term volatility by measuring the square root of the implied variance across all options of a given time to expiration. Further information on the VSTOXX® Index is available at <http://www.stoxx.com/>

EURO STOXX 50® Index: The EURO STOXX 50® Index is a free-float market capitalization-weighted index of 50 European blue-chip stocks (each, a “component” for the purposes of this paragraph) from those countries participating in the European Monetary Union. Each component's weight is capped at 10per cent. of the EURO STOXX 50® Index’s total free float market capitalisation. The EURO STOXX 50® (Price) Index is a market price index and does not account for or include the receipt or re-investment of dividends. The EURO STOXX 50® Index was developed with a base value of 1000 as of December 31, 1991. Further information on the EURO STOXX 50® Index is available at <http://www.stoxx.com/>

1.2 Input Data

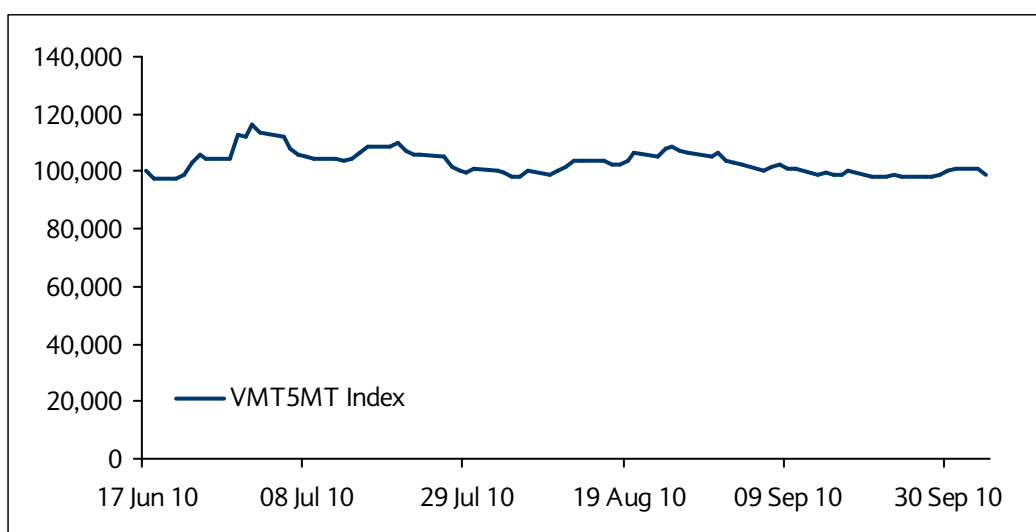
During the calculation hours of the Index, the following data is used via snapshots every 15 seconds to calculate the level of the Index:

- Mid prices of the fourth, fifth, sixth and seventh month VSTOXX® Futures Contracts;
- EONIA – Euro Overnight Index Average rate.

1.3 Historical Data

The Index commenced on 17th June 2010 starting with the base value of 100,000.

Graph showing historical performance of the Index:



PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

Information about the past and further performance of the Index and its volatility can be obtained by reference to Bloomberg ticker VMT5MT <Index> DES <GO>.

1.4 Identifiers

Name	Type	ISIN	Symbol
EURO STOXX 50® Volatility Mid-Term Futures Total Return Index	Total Return	CH0115971191	VMT5MT

2 Calculation

2.1 Main characteristics

The Index returns are calculated from a rolling position in the fourth, fifth, sixth and seventh month EUREX futures contracts in the VSTOXX® Index. The Index also incorporates interest accrual on the notional value and reinvestment into the Index.

VSTOXX® Futures Contracts are traded on the EUREX exchange. The futures are cash settled based on the final settlement price, equal to the average of the VSTOXX® Index values calculated between 11:30 and 12:00 CET on the last trading day of the future. The last trading day of each future is 30 calendar days before the expiring date of the options underlying the volatility index (i.e. 30 days before the third Friday of the expiration month of the underlying options, provided that this is a day when the EUREX is open). As of the date of this iPath® VSTOXX® Base Prospectus, this is usually the Wednesday before the second last Friday of a respective expiring month of the future, provided that the EUREX is open on such day, otherwise it is the preceding day on which the EUREX is open. Full contract specifications for the VSTOXX® Future Contracts are available from <http://www.eurexchange.com>

EUREX is amongst the world's largest futures and options exchanges. Its electronic trading and clearing platform offers a range of products, and amongst others operates markets in fixed income,

futures and options. EUREX was established in 1998 with the merger of Deutsche Terminbörse (DTB, the German derivatives exchange) and SOFFEX (Swiss Options and Financial Futures). Further information on the EUREX exchange is available at <http://www.eurexchange.com>

2.2 Index Calculation

2.2.1 Total Return Calculation

$$Index\ TR_t = Index\ TR_{t-1} \left(\frac{\sum_{i=4}^7 w_{i,t-1} * F_{i,t}}{\sum_{i=4}^7 w_{i,t-1} * F_{i,t-1}} + \frac{d \times EONIA_{t-1}}{360} \right)$$

Where:

“d” is number of calendar days between Index Business Day t and the immediately preceding Index Business Day $t-1$;

“EONIA $_{t-1}$ ” with respect to an Index Business Day t is the Euro Overnight Index Average effective reference rate (expressed as a percentage) computed daily as a weighted average of all overnight unsecured lending transactions undertaken in the interbank market by the European Central Bank on the immediately preceding Index Business Day $t-1$.

“F $_{i,t}$ ” is the mid price of i^{th} futures contract on Index Business Day t ;

“Index Business Day” is a VSTOXX® Futures Contract Business Day;

“Index TR $_t$ ” is the level of the EURO STOXX 50® Volatility Mid-Term Futures Total Return Index on an Index Business Day t ;

“VSTOXX® Futures Contract Business Day” means each day on which futures contracts on the VSTOXX® Index are traded on the EUREX; and

“w $_{i,t-1}$ ” is the weight of the i^{th} futures contract on Index Business Day t .

2.2.2 Roll Period

The Index rolls futures positions on a daily basis. The Roll Period starts from and includes the monthly VSTOXX® Futures Contract settlement date and runs through to but excludes the subsequent monthly VSTOXX® Futures Contract settlement date.

Rolling between the fourth month future (F_4) to seventh month future (F_7) takes place over n Index Business Days in the Roll Period. A constant exposure to the fifth month future (F_5) and the sixth month future (F_6) is held throughout the Roll Period. The weights (expressed as a percentage) allocated to each F_4 to F_7 on any given Index Business Day t are determined as follows:

$$\begin{aligned} w_{4,t} &= \frac{100}{3} * \frac{p_t}{n} & w_{5,t} &= \frac{100}{3} \\ w_{6,t} &= \frac{100}{3} & w_{7,t} &= \frac{100}{3} * \frac{n-p_t}{n} \end{aligned}$$

Where:

Roll Period = the period from and including the most recent VSTOXX® Futures Contract settlement date up to but excluding the subsequent VSTOXX® Futures Contract settlement date.

n = the total number of Index Business Days in the current Roll Period

p_t = the number of Index Business Days remaining in the current Roll Period, starting with the following Index Business Date up to and including the last Index Business Day in the current Roll Period. For the avoidance of doubt, on the last Index Business Date of the period, $p_t = 0$

At the close of the last Index Business Day of any Roll Period (the Index Business Day immediately preceding a VSTOXX® Futures Contract settlement date) the weight is equally allocated to the fifth, sixth and seventh month VSTOXX® Futures Contract with no allocation to the fourth month VSTOXX® Futures Contract. On VSTOXX® Futures Contract settlement date, the fifth month contract position becomes the fourth month contract at settlement. Similarly at this time, the sixth month contract position becomes the fifth month contract, the seventh month contract position becomes the sixth month contract and so on. On VSTOXX® Futures Contract settlement date and on each subsequent Index Business Day of the new Roll Period, a fraction of the fourth month contract is sold and an equal notional amount of the seventh month VSTOXX® Futures Contract is bought. In this way the allocation to the fourth month contract is progressively rolled into the seventh month contract over the Roll Period.

2.3 Computational Accuracy

The Index is published as figures rounded to two decimal places.

3 Dissemination and Policies

3.1 Dissemination

Each Index is calculated in real time (15 Seconds) and disseminated on every EUREX exchange trading day, from 09:00 to 17:30 CET.

3.2 Delisting of VSTOXX® Futures Contracts

If one or more VSTOXX® Futures included in the Index is no longer listed, STOXX Ltd. in consultation with the STOXX Supervisory Board may decide on the appropriate measures and notify the market on the measures.

3.3 Consequences of a disruption event

If an event occurs in relation to a relevant VSTOXX® Futures Contract that the Index Sponsor determines is an index disruption event pursuant to the Index rules and methodology then the Index Sponsor will calculate the value of the Index based on the most recent prior mid futures prices published by EUREX and the roll for that day will be carried to the next Index Business Day as described in paragraph 2.2.2 (*Roll Period*) above. In such circumstances, the Determination Agent may nonetheless determine that an Index Adjustment Event has occurred pursuant to Base Condition 5.1.

If the EUREX exchange fails to open due to unforeseen circumstances, STOXX Ltd. may determine not to publish the Index Level for that day.

In situations where an exchange introduces a holiday during the month of the Index calculation, the Index Level will not be published on such a holiday and the roll for that day will be carried to the next Index Business Day as described in paragraph 2.2.2 (*Roll Period*) above.

4 Index Modification

It is expected that, at any time after the Issue Date, that closing prices will be used instead of mid prices to determine the value of the VSTOXX® Futures Contract (i.e. $F_{i,t}$). In such an event, the Index Sponsor shall notify the market on the change in methodology for calculation of the Index. For the avoidance of doubt, such change in methodology shall not be deemed to constitute an Index Adjustment Event pursuant to Base Condition 5.1.

CLEARANCE, SETTLEMENT AND TRANSFER SYSTEMS

Book-Entry Ownership

Global Bearer Securities

The Issuer may make applications to Clearstream, Frankfurt, Euroclear France, Euroclear and/or Clearstream for acceptance in their respective book-entry systems in respect of any Series of Securities. A Temporary Global Security and/or Permanent Global Security in bearer form without Coupons will be deposited with Clearstream, Frankfurt (as Depositary for itself). Transfers of interests in such Permanent Global Securities will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Frankfurt.

Interests in the Securities may also be cleared through Euroclear France, Euroclear and Clearstream, Luxembourg using the bridge between Clearstream, Frankfurt and Clearstream, Luxembourg. Transfers of interests in the relevant Securities represented by such Permanent Global Securities will then be made in accordance with the normal Euromarket debt securities operating procedures of the Relevant Clearing Systems. If so specified in the Final Terms, Securities may also be transferred in alternative clearing systems in accordance with their rules.

Pre-issue Trades Settlement

It is expected that delivery of Securities will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Purchasers of Securities may be affected by such local settlement practices and, in the event that an Issue Date is more than three business days following the relevant date of pricing, purchasers of Securities who wish to trade Securities between the date of pricing and the date that is three business days prior to the relevant Issue Date might consider consulting their own adviser.

Brief Description of CDIs

Investors may hold indirect interests in Cleared Securities issued under the iPath® VSTOXX® Programme by holding CREST Depository Interests (“CDIs”) through CREST. CDIs represent indirect interests in the Cleared Securities to which they relate (the “Underlying Securities”) and holders of CDIs will not be the legal owners of the Underlying Securities.

Securities which are expected to constitute Underlying Securities for the purpose of CDIs shall be specified as such in the applicable Final Terms.

Issuance of CDIs

CDIs may be issued by CREST Depository Limited (the “CREST Depository”) and held through CREST in dematerialised uncertificated form in accordance with the CREST Global Deed Poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated, the “CREST Deed Poll”). CDIs in respect of Underlying Securities will be constituted and issued to Investors pursuant to the terms of the CREST Deed Poll.

Following their delivery into Euroclear (directly or through another clearing system using bridging arrangements with Euroclear), interests in Underlying Securities may be delivered, held and settled in

CREST by means of the creation of dematerialised CDIs representing the interests in the relevant Underlying Securities. Interests in the Underlying Securities will be credited to the CREST Nominee's account with Euroclear and the CREST Nominee will hold such interests as nominee for the CREST Depository which will issue CDIs to the relevant CREST participants.

Each CDI will be treated as one Underlying Security, for the purposes of determining all rights and obligations and all amounts payable in respect thereof. The CREST Depository will pass on to holders of CDIs any interest or other amounts received by it as holder of the Underlying Securities on trust for such CDI holder. CDI holders will also be able to receive from the CREST Depository notices of meetings of holders of Underlying Securities and other relevant notices issued by the Issuer.

Transfers of interests in Underlying Securities by a CREST participant to a participant of Euroclear or another Relevant Clearing System will be effected by cancellation of the CDIs and transfer of an interest in such Securities underlying the CDIs to the account of the relevant participant with Euroclear or such other Relevant Clearing System. The CDIs will have the same securities identification number as the ISIN of the Underlying Securities and will not require a separate listing on the Official List.

The rights of the holders of CDIs will be governed by the arrangements between CREST, the Relevant Clearing System and the Issuer including the CREST Deed Poll (in the form contained in Chapter 3 of the CREST International Manual (which forms part of the CREST Manual)) executed by the CREST Depository. These rights may be different from those of holders of Securities which are not represented by CDIs.

The attention of prospective Investors in CDIs is drawn to the terms of the CREST Deed Poll, the CREST Manual and the CREST Rules, copies of which are available from Euroclear UK & Ireland Limited at 33 Cannon Street, London EC4M 5SB or by calling +442078490000 or from the Euroclear UK & Ireland Limited website at <https://www.euroclear.com/site/public/EUI>.

TAXATION

A. General Taxation Information

The information provided below does not purport to be a complete summary of tax law and practice currently applicable to the Securities. Transactions involving Securities (including purchases, transfers and/or redemptions) and the death of a holder of any Security may have tax consequences for potential purchasers which may depend, amongst other things, upon the tax residence and/or status of the potential purchaser. Potential purchasers of Securities might therefore consider consulting their own tax advisers as to the tax consequences of transactions involving Securities and the effect of any tax laws in any jurisdiction in which they may be tax resident or otherwise liable to tax. In particular, no representation is made as to the manner in which payments under the Securities would be characterised by any relevant taxing authority.

The following summaries do not consider the tax treatment of payments in respect of the Index and/or futures contracts. The taxation provisions applicable to such items may be different (and in some cases significantly different) from those described in the summary below.

Purchasers and/or sellers of Securities may be required to pay stamp taxes and other charges in addition to the issue price of the Securities.

Prospective Investors are referred to Base Condition 8.3.

B. United Kingdom Taxation

The comments below are of a general nature based on current United Kingdom tax law and HM Revenue & Customs (“HMRC”) published practice and are a summary of the understanding of the Issuer of current law and practice with respect to the Securities in relation only to United Kingdom withholding tax, stamp duty and stamp duty reserve tax. The comments below are not intended to be exhaustive and relate only to persons who are the absolute beneficial owners of Securities.

Prospective Securityholders who may be subject to tax in a jurisdiction other than the United Kingdom or who are unsure as to their tax position might consider seeking their own professional advice.

1 Withholding Tax

1.1 Payments constituting interest

To the extent that payments made on or in respect of the Securities are or are treated as interest, no withholding or deduction for or on account of United Kingdom tax should be applied to such payments provided that any such payment is made in one of the following sets of circumstances:

(i) *Payments of interest by a bank*

No withholding or deduction for or on account of United Kingdom tax should be applied to such payments provided the Issuer is and continues to be a bank within the meaning of section 991 of the Income Tax Act 2007 (the “Act”), and any interest on the Securities

is paid in the ordinary course of its business within the meaning of section 878 of the Act.

(ii) *Payments of interest in respect of Securities which are listed on a recognised stock exchange*

No withholding or deduction for or on account of United Kingdom tax should be applied to such payments provided that the Securities constitute “quoted Eurobonds”. The Securities issued will constitute “quoted Eurobonds” provided they are and continue to be listed on a recognised stock exchange, within the meaning of section 1005 of the Act. The London Stock Exchange, the Frankfurt Stock Exchange, Euronext Paris and the Italian Stock Exchange are recognised stock exchanges for these purposes. Securities will be treated as listed on a recognised stock exchange if (a) they are admitted to trading on that stock exchange; and (b) are either: (x) included in the Official List, or (y) are officially listed in Germany, France or Italy in accordance with provisions corresponding to those generally applicable in EEA states, as the case may be.

(iii) *Payments of interest to certain Securityholders*

No withholding or deduction for or on account of United Kingdom tax should be applied to such payments provided that the Issuer reasonably believes that, at the time the payment is made, either:

- (a) the person beneficially entitled to the interest payable on the Securities is within the charge to United Kingdom corporation tax as regards the payment of such interest; or
- (b) the payment is made to one of the classes of exempt bodies or persons set out in section 936 of the Act,

provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that such payment of interest will not be an “excepted payment” at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount may have to be withheld from any payments of interest on the Securities for or on account of United Kingdom income tax at the basic rate, subject to the availability of other exemptions or reliefs or to any direction to the contrary from HMRC in respect of such relief as may be available under an applicable double taxation treaty.

1.2 Payments other than interest

Payments on or in respect of the Securities may be made without deduction of United Kingdom tax where the payments are not regarded as interest for tax purposes.

2 EU Directive on the Taxation of Savings Income

Under EC Council Directive 2003/48/EC on the taxation of savings income, each EU 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 or certain other persons in that other Member State; however, for a transitional period,

Austria and Luxembourg will (unless they elect otherwise) instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU territories to the exchange of information relating to such payments.

A number of non-EU countries, including Switzerland, 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 or certain other persons in a Member State. In addition, the Member States have entered into reciprocal 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 or certain other persons in one of those territories.

The Directive may apply to payments made by the Issuer on or in respect of the Securities to the extent that such payments are or are treated as payments of savings income.

3 United Kingdom Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

No United Kingdom stamp duty should arise on the issuance of the Securities.

No United Kingdom stamp duty should be required to be paid on the transfer of Securities provided no instrument of transfer is executed.

No SDRT should arise on the issuance or transfer of Securities to, or to a nominee or agent for, a person whose business is or includes the provision of clearance services where those Securities are denominated in sterling or, provided they are subscribed for only in cash, denominated in another currency.

No SDRT should generally be payable in relation to an agreement to transfer Securities within a clearance service.

Confirmation has been obtained from HMRC that, in the event that CDIs representing interests in Securities are issued, no SDRT will be payable in relation to transfers of such CDIs.

C. German Taxation

The following summary does not consider all aspects of income taxation in the Federal Republic of Germany (“Germany”) that may be relevant to a holder of the Securities in the light of the holder’s particular circumstances and income tax situation. The summary applies to Investors holding the Securities as private investment assets (except where explicitly stated otherwise) and is not intended to be, nor should it be construed to be, legal or tax advice. This discussion is based on German tax laws and regulations, all as currently in effect (except where explicitly stated otherwise) and all subject to change at any time, possibly with retroactive effect.

Prospective holders might consider consulting their own tax advisers as to the particular tax consequences to them of subscribing, purchasing, holding and disposing of the Securities, including

the application and effect of state, local, foreign and other tax laws and the possible effects of changes in the tax laws of Germany.

4 German resident holders of Securities

4.1 Income from the Securities

If the Securities are held as private assets (*Privatvermögen*) by an individual Investor whose residence or habitual abode is in Germany, any capital gain received upon the redemption or disposal of the Securities is taxed as investment income (*Einkünfte aus Kapitalvermögen*) at a 25 per cent. flat tax (*Abgeltungsteuer*) (plus a 5.5 per cent. solidarity surcharge thereon and, if applicable to the individual Investor, church tax).

The capital gain is generally determined as the difference between the proceeds from the redemption or disposal of the Securities and the acquisition costs. Expenses directly related to the sale or redemption are taken into account in computing the taxable gain. Otherwise, the deduction of related expenses for tax purposes is not possible.

Where the Securities are denominated in a currency other than Euro, the acquisition costs and the proceeds from the sale or redemption are computed in Euro, each at the time of the acquisition, sale or redemption, respectively.

Capital losses from the Securities held as private assets are tax-recognised irrespective of the holding period of the Securities. However, in the case where no payments are made to the Investors on the maturity or redemption date, the capital loss will not be recognised by the tax authorities. To the extent that the losses are tax-recognised, the losses may not be used to offset other income like employment or business income but may only be offset against investment income subject to certain limitations. Losses not utilised in one year may be carried forward into subsequent years but may not be carried back into preceding years.

The flat tax is generally collected by way of withholding (see succeeding paragraph – *Withholding tax*) and the tax withheld will generally satisfy the individual Investor's tax liability with respect to the Securities. If, however, no or insufficient tax was withheld the Investor will have to include the income received with respect to the Securities in its income tax return and the flat tax will then be collected by way of tax assessment. The Investor may also opt for inclusion of investment income in its income tax return if the aggregated amount of tax withheld on investment income during the year exceeded the Investor's aggregated flat tax liability on investment income (e.g., because of an available loss carry forward or a foreign tax credit). If the Investor's total income tax liability on all taxable income including the investment income determined by generally applicable graduated income tax rates is lower than 25 per cent. the Investor may opt to be taxed at graduated rates with respect to its investment income.

Individual Investors are entitled to a tax allowance (*Sparer-Pauschbetrag*) for investment income of 801 Euro per year (1,602 Euro for married couples filing their tax return jointly). The tax allowance is taken into account for the purposes of the withholding tax (see succeeding paragraph – *Withholding tax*) if the Investor files a withholding tax exemption request (*Freistellungsauftrag*) with the respective bank or financial institution where the securities

deposit account to which the Securities are allocated is held. The deduction of related expenses for tax purposes is not possible.

If the Securities are held as business assets (*Betriebsvermögen*) by an individual or corporate Investor that is tax resident in Germany (i.e., a corporation with its statutory seat or place of management in Germany), capital gains from the Securities are subject to personal or corporate income tax (plus solidarity surcharge thereon) and trade tax. The trade tax liability depends on the applicable trade tax factor of the relevant municipality where the business is located. In case of an individual Investor the trade tax may, however, be partially or fully creditable against the Investor's personal income tax liability depending on the applicable trade tax factor and the Investor's particular circumstances. The capital gains will have to be included in the Investor's personal or corporate income tax return. Any German withholding tax (including surcharges) is generally fully creditable against the Investor's personal or corporate income tax liability or refundable, as the case may be.

4.2 Withholding tax

If the Securities are kept or administered in a domestic securities deposit account by a German credit or financial services institution (or by a German branch of a foreign credit or financial services institution), or by a German securities trading firm (*Wertpapierhandelsunternehmen*) or a German securities trading bank (*Wertpapierhandelsbank*) (altogether the "Domestic Paying Agent") from the time of their acquisition, a 25 per cent. withholding tax, plus a 5.5 per cent. solidarity surcharge thereon, is levied on the capital gains, resulting in a total withholding tax charge of 26.375 per cent. If the Securities were sold or redeemed after being transferred to another securities deposit account the 25 per cent. withholding tax (plus solidarity surcharge thereon) would be levied on 30 per cent. of the proceeds from the sale or the redemption, as the case may be, unless the Investor or the previous account bank was able and allowed to provide evidence for the Investor's actual acquisition costs to the new Domestic Paying Agent. In case of a transfer of securities deposit accounts among Domestic Paying Agents the previous account bank is required to provide to the new account bank the Investor's acquisition data. The applicable withholding rate is in excess of the aforementioned rate if church tax is collected for the individual Investor.

No withholding is generally required on capital gains derived by German resident corporate holders of Securities and upon application by individual holders of Securities holding the Securities as business assets.

5 Non-German resident holders of Securities

Income derived from the Securities by holders who are not tax resident in Germany is in general exempt from German income taxation, and no withholding tax shall be withheld, provided however (i) the Securities are not held as business assets of a German permanent establishment of the Investor or by a permanent German representative of the Investor or (ii) the Securities are not presented for payment or credit at the offices of a German credit or financial services institution including a German branch of a foreign credit or financial services institution (over-the-counter transaction).

If the income derived from the Securities is subject to German taxation according to (i) or (ii) above, the income is subject to withholding tax similar to that described above under the paragraph *Withholding tax*. Under certain circumstances, foreign Investors may benefit from tax reductions or tax exemptions under applicable double tax treaties (*Doppelbesteuerungsabkommen*) entered into with Germany.

6 Inheritance tax / gift tax

The transfer of Securities to another person by way of gift or inheritance is subject to German gift or inheritance tax, respectively, if:

- (i) the testator, the donor, the heir, the donee or any other acquirer had his residence, habitual abode or, in the case of a corporation, association (*Personenvereinigung*) or estate (*Vermögensmasse*), had its seat or place of management in Germany at the time of the transfer of property,
- (ii) except as provided under (i), the testator's or donor's Securities belong to a business asset attributable to a permanent establishment or a permanent representative in Germany,

Special regulations apply to certain German expatriates.

Investors might consider consulting with their tax adviser to determine the particular inheritance or gift tax consequences in the light of their particular circumstances.

7 Other taxes

The purchase, sale or other disposal of Securities does not give rise to capital transfer tax, value added tax, stamp duties or similar taxes or charges in Germany. However, in certain circumstances entrepreneurs may choose liability to value added tax with regard to the sales of Securities which would otherwise be tax exempt. Net wealth tax (*Vermögensteuer*) is, at present, not levied in Germany.

8 European directive on the taxation of savings income

On 3 June 2003 the Economic and Financial Affairs Council of the European Union (ECOFIN Council) adopted directive 2003/48/EC on taxation of savings income in the form of interest payments ("**Savings Directive**"). Under the Savings Directive and from 1 July 2005, each EU Member State is required to provide the tax authorities of another Member State with details of payments of interest and other similar income paid by a person in one Member State to an individual resident in another Member State. Austria and Luxembourg must instead impose a withholding tax for a transitional period unless during such period they elect to participate in the information exchange.

In Germany, provisions for implementing the EU Savings Tax Directive have been enacted by legislative regulations of the federal government (*Zinsinformationsverordnung*). These provisions apply as from 1 July 2005.

Capital gains derived from the sale or redemption of the Securities should not be treated as interest for purposes of the Savings Directive but there is a degree of uncertainty as to whether the tax

authorities would take a different view in which case the capital gains would be subject to the aforementioned reporting requirements under the Savings Directive.

D. Italian Taxation

The following is a summary of current Italian law and practice relating to the taxation of the Securities. The statements herein regarding taxation are based on the laws in force in Italy as at the date of this iPath® VSTOXX® Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Securities and does not purport to deal with the tax consequences applicable to all categories of Investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

Prospective purchasers of the Securities might consider consulting their own tax advisers concerning the overall tax consequences of their ownership of the Securities.

Tax treatment of Securities qualifying as debentures similar to bonds

Legislative Decree No. 239 of 1 April 1996, as subsequently amended (“Decree 239”), provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from Securities falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by non-Italian resident issuers.

For these purposes, debentures similar to bonds are defined as debt instruments that incorporate an unconditional obligation to pay, at maturity, an amount not less than their nominal value (whether or not providing for internal payments) and that do not give any right to directly or indirectly participate in the management of the issuer or of the business in relation to which they are issued nor any type of control on the management.

Italian Resident investor

Where an Italian resident investor is (i) an individual not engaged in an entrepreneurial activity to which the Securities are connected (unless he has opted for the application of the “*risparmio gestito*” regime – see “Capital Gains Tax” below), (ii) a non-commercial partnership pursuant to article 5 of the Italian Income Consolidated Code (“TUIR”) (with the exception of general partnership, limited partnership and similar entities), (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Securities, accrued during the relevant holding period, are subject to a substitute tax, referred to as “*imposta sostitutiva*”, levied at the rate of 20 per cent. In the event that the investor described under (i) and (iii) above are engaged in an entrepreneurial activity to which the Securities are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident investor is a company or similar commercial entity pursuant to article 73 of TUIR or a permanent establishment in Italy of a foreign company to which the Securities are effectively connected and the Securities are deposited with an authorised intermediary, interest, premium and other income from the Securities will not be subject to *imposta sostitutiva*, but must be included in the relevant investor's income tax return and are therefore subject to general Italian corporate taxation

("IRES" levied at the rate of 27.5 per cent.) and, in certain circumstances, depending on the "status" of the investor, also to the regional tax on productive activities ("IRAP", generally levied at the rate of 3.90 per cent., even though regional surcharges may apply).

If the investor is resident in Italy and is an open-ended or closed-ended investment fund (subject to the regime provided for by Law No. 77 of 23 March 1983, a "Fund") or a SICAV, and the Securities are held by an authorised intermediary, interest, premium and other income accrued during the holding period on the Bonds will not be subject to *imposta sostitutiva* but must be included in the management result of the Fund or the SICAV. The Fund or SICAV will not be subject to taxation on such result, but a withholding tax of 20 per cent. will be levied on proceeds distributed by the investment funds or the SICAV to certain categories of unitholders upon redemption or disposal of the units..

Where an Italian resident investor is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Securities are deposited with an authorised intermediary, interest, premium and other income relating to the Securities and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 11 per cent. substitute tax.

Italian real estate funds created under Article 37 of Italian Legislative Decree No. 58 of 24 February 1998 and Article 14 bis of Law No. 86 of 25 January 1994, are not subject to any substitute tax at the fund level nor to any other income tax in the hands of the fund.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, *Società di intermediazione mobiliare* ("SIMs"), fiduciary companies, *Società di gestione del risparmio* ("SGRs"), stockbrokers and other entities identified by a decree of the Ministry of Economics and Finance (each, an "Intermediary").

For the Intermediary to be entitled to apply the *imposta sostitutiva*, it must (i) be (a) resident in Italy or (b) resident outside Italy, with a permanent establishment in Italy or (c) an entity or a company not resident in Italy, acting through a system of centralised administration of securities and directly connected with the Department of Revenue of the Italian Ministry of Finance having appointed an Italian representative for the purposes of Decree 239; and (ii) intervene, in any way, in the collection of interest or in the transfer of the Securities. For the purpose of the application of the *imposta sostitutiva*, a transfer of Securities includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Securities.

Where the Securities are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a investor. If interest and other proceeds on the Securities are not collected through an Intermediary or any entity paying interest and as such no *imposta sostitutiva* is levied, the Italian resident beneficial owners listed above under (i) to (iv) will be required to include interest and other proceeds in their yearly income tax return and subject them to a final substitute tax at a rate of 20 per cent.

Non-Italian Resident investor

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident investor of interest or premium relating to the Securities provided that, if the Securities are held in Italy, the non-Italian resident investor declares itself to be a non-Italian resident according to Italian tax regulations.

Capital Gains Tax

Where the Italian resident investor is (i) an individual not engaged in an entrepreneurial activity to which the Securities are connected, (ii) a non-commercial partnership, pursuant to article 5 of TUIR (with the exception of general partnership, limited partnership and similar entities) (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, capital gains accrued under the sale or the exercise of Securities are subject to a 20 per cent. substitute tax (*imposta sostitutiva*).

The recipient may opt for three different taxation criteria.

- (1) Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for taxation of capital gains realised by Italian resident individuals not engaged in an entrepreneurial activity to which the Securities are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a yearly cumulative basis, on all capital gains, net of any off-settable capital loss, realised by the Italian resident individual holding the Securities not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Securities carried out during any given tax year. Italian resident individuals holding the Securities not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Capital losses realised before 1 January 2012 may be carried forward to be offset against subsequent capital gains realised from 1 January 2012 for an overall amount of 62.5 per cent. of the relevant capital losses.
- (2) As an alternative to the tax declaration regime, Italian resident individuals holding the Securities not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Securities (the "*risparmio amministrato*" regime provided for by article 6 of Decree No. 461). Such separate taxation of capital gains is allowed subject to (i) the Securities being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (ii) an express valid election for the *risparmio amministrato* regime being punctually made in writing by the relevant investor. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Securities (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the investor or using funds provided by the investor for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Securities results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Capital losses realised before 1 January 2012 may be carried forward to be offset against subsequent capital gains realised from 1 January 2012 for an overall amount of

62.5 per cent. of the relevant capital losses. Under the *risparmio amministrato* regime, the investor is not required to declare the capital gains in the annual tax return.

- (3) Any capital gains realised or accrued by Italian resident individuals holding the Securities not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Securities, to an authorised intermediary and have validly opted for the so-called “*risparmio gestito*” regime (regime provided for by article 7 of Decree No. 461) will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 20 per cent. substitute tax, to be paid by the managing authorised intermediary. Under this *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Depreciation of the managed assets accrued before 1 January 2012 may be carried forward to be offset against subsequent increase in value of the managed assets accrued from 1 January 2012 for an overall amount of 62.5 per cent. of the relevant depreciation. Under the *risparmio gestito* regime, the investor is not required to declare the capital gains realised in the annual tax return.

Where an Italian resident investor is a company or similar commercial entity, or the Italian permanent establishment of a foreign commercial entity to which the Securities are effectively connected, capital gains arising from the Securities will not be subject to *imposta sostitutiva*, but must be included in the relevant investor's income tax return and are therefore subject to Italian corporate tax and, in certain circumstances, depending on the "status" of the investor, also as a part of the net value of production for IRAP purposes.

Any capital gains realised by an investor which is a Fund or a SICAV will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Fund or SICAV, but a withholding tax of 20 per cent. will be levied on proceeds distributed by the investment funds or the SICAV to certain categories of unitholders upon redemption or disposal of the units..

Any capital gains realised by an investor which is an Italian pension fund (subject to the regime provided by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. ad hoc substitute tax.

Any capital gains realised by an Italian real estate fund created under Article 37 of Italian Legislative Decree No. 58 of 24 February 1994 and Article 14 bis of Law No. 86 of 25 January 1994, shall not be subject to any substitute tax at the fund level nor to any other income tax in the hands of the fund.

Capital gains realised by non-Italian resident beneficial owner are not subject to Italian taxation provided that the Securities (i) are transferred on regulated markets, or (ii) if not transferred on regulated markets, are held outside Italy.

The provisions of the applicable tax treaties against double taxation entered into by Italy apply if more favourable and all relevant conditions are met.

Securitised derivatives

If the Securities qualify as securitised derivatives, where the Italian resident investor is (i) an individual not engaged in an entrepreneurial activity to which the Securities are connected, (ii) a non-

commercial partnership, pursuant to article 5 of TUIR (with the exception of general partnership, limited partnership and similar entities) (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, capital gains accrued under the sale or the exercise of Securities are subject to a 20 per cent. substitute tax (*imposta sostitutiva*) (article 67 of Presidential Decree No. 917 of 22 December 1986 (the “TUIR”) and Legislative Decree No. 461 of 21 November 1997 (“Decree No. 461”). The recipient may opt for three different taxation criteria.

- (1) Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for taxation of capital gains realised by Italian resident individuals not engaged in an entrepreneurial activity to which the Securities are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a yearly cumulative basis, on all capital gains, net of any off-settable capital loss, realised by the Italian resident individual holding the Securities not in connection with an entrepreneurial activity pursuant to all sales or redemptions of Securities carried out during any given tax year. Italian resident individuals holding Securities not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Capital losses realised before 1 January 2012 may be carried forward to be offset against subsequent capital gains realised from 1 January 2012 for an overall amount of 62.5 per cent. of the relevant capital losses.
- (2) As an alternative to the tax declaration regime, Italian resident individuals holding Securities not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of Securities (the “*risparmio amministrato*” regime provided for by article 6 of Decree No. 461). Such separate taxation of capital gains is allowed subject to (i) the Securities being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (ii) an express valid election for the *risparmio amministrato* regime being punctually made in writing by the relevant investor. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of Securities (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the investor or using funds provided by the investor for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of Securities results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Capital losses realised before 1 January 2012 may be carried forward to be offset against subsequent capital gains realised from 1 January 2012 for an overall amount of 62.5 per cent. of the relevant capital losses. Under the *risparmio amministrato* regime, the investor is not required to declare the capital gains in the annual tax return.
- (3) Any capital gains realised or accrued by Italian resident individuals holding Securities not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Securities, to an authorised intermediary and have validly opted for the so-called “*risparmio gestito*” regime (regime provided for by article 7 of Decree No. 461)

will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 20 per cent. substitute tax, to be paid by the managing authorised intermediary. Under this *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Depreciation of the managed assets accrued before 1 January 2012 may be carried forward to be offset against subsequent increase in value of the managed assets accrued from 1 January 2012 for an overall amount of 62.5 per cent. of the relevant depreciation. Under the *risparmio gestito* regime, the investor is not required to declare the capital gains realised in the annual tax return.

Where an Italian resident investor is a company or similar commercial entity, or the Italian permanent establishment of a foreign commercial entity to which the Securities are effectively connected, capital gains arising from Securities will not be subject to *imposta sostitutiva*, but must be included in the relevant investor's income tax return and are therefore subject to Italian corporate tax and, in certain circumstances, depending on the "status" of the investor, also as a part of the net value of production for IRAP purposes.

Any capital gains realised by a investor which is an open-ended or close-ended investment fund (subject to the tax regime provided by Law No. 77 of 23 March 1983, a "Fund") or a SICAV will be included in the result of the relevant portfolio accrued and will not be subject neither to substitutive tax nor to any other income tax in the hands of the Fund or the SICAV.

Any capital gains realised by an investor which is an Italian pension fund (subject to the regime provided by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. *ad hoc* substitute tax.

Any capital gains realised by an Italian real estate fund created under Article 37 of Italian Legislative Decree No. 58 of 24 February 1994 and Article 14 bis of Law No. 86 of 25 January 1994, shall not be subject to any substitute tax at the fund level nor to any other income tax in the hands of the fund. Capital gains realised by non-Italian resident beneficial owner are not subject to Italian taxation provided that Securities (i) are transferred on regulated markets, or (ii) if not transferred on regulated markets, are held outside of Italy.

The provisions of the applicable tax treaties against double taxation entered into by Italy apply if more favourable and all relevant conditions are met.

In accordance with a different interpretation of current tax law, it is possible that Securities would be considered as "atypical securities" pursuant to article 8 of Law Decree No. 512 of 30 September 1983 as implemented by Law No. 649 of 25 November 1983. In this event, payments relating to Securities may be subject to the tax treatment applicable to the "atypical Securities" as indicated below.

Tax treatment of Securities qualifying as Atypical securities

Securities that cannot be qualified as securitised derivatives or instruments similar to bonds under TUIR could be considered 'atypical' securities pursuant to article 8 of Law Decree No. 512 of 30 September 1983 as implemented by Law No. 649 of 25 November 1983. In this event, payments relating to Securities may be subject to an Italian withholding tax, levied at the rate of 20 per cent.

The 20 per cent. withholding tax mentioned above does not apply to payments made to a non-Italian resident holder of the Securities and to an Italian resident holder of the Securities which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), (ii) a commercial partnership, or (iii) a commercial private or public institution.

The withholding is levied by the Italian intermediary appointed by the Issuer, intervening in the collection of the relevant income or in the negotiation or repurchasing of the Securities.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- (i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding EUR 1,000,000;
- (ii) transfers in favour of relatives to the fourth degree and relatives-in-law to the third degree, are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding EUR 100,000; and
- (iii) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

Transfer Tax

Contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds are subject to fixed registration tax at rate of EUR 168; and (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

Implementation in Italy of the EU Savings Directive

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April 2005 (“**Decree No. 84**”). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall not apply the withholding tax and shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

E. European Union Taxation

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “**Directive**”), each EU Member State is required, from 1 July 2005, 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 in that other Member State; however, for a transitional period, Austria and Luxembourg will (unless they elect otherwise) instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. The

transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU territories to the exchange of information relating to such payments.

A number of non-EU countries, including Switzerland, 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 or certain other persons in a Member State. In addition, the Member States have entered into reciprocal 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 in one of those territories.

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

PURCHASE AND SALE

Republic of Italy

Any offer, sale or delivery of the Securities or distribution of copies of this Base Prospectus or any other document relating to the Italian Securities in the Republic of Italy must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Legislative Decree No. 58 of 24 February 1998 (the “**Financial Services Act**”), as implemented by the CONSOB Regulation 14 May 1999, n. 11971 (“**Regulation No. 11971**”), CONSOB Regulation 29 October 2007, No. 16190 and Legislative Decree No. 385 of 1 September 1993 (the “**Banking Act**”) (all as amended from time to time);
- (ii) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

Please note that in accordance with Article 100–bis of the Financial Services Act, where no exemption from the rules on public offerings applies, Securities which are initially offered and placed in Italy or abroad to qualified investors only but in the following year are continuously (*sistematicamente*) distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Securities being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

GENERAL INFORMATION

Authorisation and Consents

The establishment of the iPath® VSTOXX® Programme and the issue of Securities under the iPath® VSTOXX® Programme have been duly authorised by resolutions of an authorised committee of the Board of Directors of the Bank on 25 July 2011.

The Issuers have obtained all necessary consents, approvals and authorisations in connection with establishing the iPath® VSTOXX® Programme and will obtain all such consents, approvals and authorisations in connection with the issue and performance of each Security or Series of Securities issued under the iPath® VSTOXX® Programme.

Use of Proceeds

The Issuer intends to apply the net proceeds from the sale of any Securities either for hedging purposes or for general corporate purposes unless otherwise specified in the Final Terms relating to a particular Security or Series of Securities. If, in respect of any particular issue of Securities, there is a particular identified use of proceeds this will be stated in the applicable Final Terms.

Base Prospectus

This iPath® VSTOXX® Base Prospectus may be used for a period of one year from its date in connection with a public offer of Securities in the EU, or for the listing and admission to trading of Series of Securities. A revised iPath® VSTOXX® Base Prospectus will be prepared in connection with the listing of any Series of Securities issued after such period unless all consents necessary are obtained for an extension of such period.

If at any time the Bank shall be required to prepare a supplement to this iPath® VSTOXX® Base Prospectus (a “**Base Prospectus Supplement**”) pursuant to section 87 of the FSMA, or to give effect to the provisions of Article 16(1) of the Prospectus Directive, the Bank will prepare and make available an appropriate amendment or supplement to this iPath® VSTOXX® Base Prospectus or a further base prospectus which, in respect of any subsequent issue of Securities to be offered to the public or to be admitted to trading on the Regulated Market of the London Stock Exchange or the Frankfurt Stock Exchange, and/or of any other Relevant Stock Exchange, shall constitute a base prospectus supplement as required by the FSA and section 87 of the FSMA.

Listing

Any Series of Securities may be admitted to listing and trading on the London Stock Exchange and/or Frankfurt Stock Exchange and/or any Euronext Paris and/or other Relevant Stock Exchange as set out in the applicable Final Terms.

Unlisted Securities may also be issued under the iPath® VSTOXX® Programme.

Relevant Clearing Systems

The Securities issued under the iPath® VSTOXX® Programme may be accepted for clearance (i) directly through Clearstream Frankfurt. Interests in the Securities may also be cleared through Euroclear France, Euroclear and Clearstream using the bridge between Clearstream Frankfurt and

Clearstream Luxembourg. Securityholders may also hold interests in the Securities through CREST through the issuance of CDIs representing Underlying Securities. The appropriate security identification codes, including the common code for each Series, allocated by Clearstream Frankfurt, Euroclear or Clearstream will be set out in the applicable Final Terms, together with the International Securities Identification Number (the “ISIN”) for that Series. If the Securities are to be cleared through an additional or alternative clearing system, the appropriate information will be set out in the applicable Final Terms. Transactions will normally be effected for settlement not earlier than three business days after the date of transaction.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, the address of Clearstream is 42 Avenue JF Kennedy, L-1855 Luxembourg, the address of Clearstream Frankfurt is Clearstream Banking AG, Neue Borsenstrasse 1, 60487 Frankfurt am Main, Germany and the address of CREST is Euroclear UK & Ireland, 33 Cannon Street, London EC4M 5SB. The address of Euroclear France is 115 rue Réaumur, 75081 Paris, Cedex 02, France. The address of any additional clearing system will be set out in the applicable Final Terms.

Documents available

For as long as this iPath® VSTOXX® Base Prospectus remains in effect or any Securities remain outstanding, copies of the following documents will, when available, be made available during usual business hours on a weekday (Saturdays and public holidays excepted) for inspection and in the case of (b), (c), (h), (i) and (j) below shall be available for collection free of charge at the registered office of the Issuer and at the specified office of the Issue and Paying Agent and, in the case of the Final Terms in respect of any Series, at the specified office of the relevant Paying Agents:

- (a) the constitutional documents of the Issuer;
- (b) the documents set out in the “INFORMATION INCORPORATED BY REFERENCE” section of this iPath® VSTOXX® Base Prospectus;
- (c) all future annual reports and semi-annual financial statements of the Bank;
- (d) the Master Subscription Agreement;
- (e) the relevant Agency Agreement;
- (f) the Deed of Covenant;
- (g) the JSE Placement Document (once approved);
- (h) the current iPath® VSTOXX® Base Prospectus in respect of the iPath® VSTOXX® Programme and any future supplements thereto;
- (i) any Final Terms issued in respect of Securities admitted to listing, trading and/or quotation by any listing authority, stock exchange, and/or quotation system since the most recent base prospectus was published; and
- (j) any other future documents, supplements and/or announcements issued by the Issuer.

Post-issuance information

The Issuer does not intend to provide any post-issuance information in relation to any of the Securities or the performance of the relevant Index or any other underlying.

ISSUER

**REGISTERED OFFICE OF
BARCLAYS BANK PLC**

1 Churchill Place
London E14 5HP
United Kingdom

MANAGER

Barclays Bank PLC
1 Churchill Place
London E14 5HP
United Kingdom

ISSUE AND PAYING AGENT

The Bank of New York Mellon, acting through its London Branch
One Canada Square
London E14 5AL
United Kingdom

DETERMINATION AGENT

Barclays Bank PLC
1 Churchill Place
London E14 5HP
United Kingdom

PAYING AGENTS

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building - Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

The Bank of New York Mellon, Frankfurt Branch
Frau Marion Jacobsen-Schönfeld
MesseTurm, Friedrich-Ebert-Anlage 49
D-60327 Frankfurt am Main
Germany

LEGAL ADVISERS TO THE MANAGER

in respect of English law:

Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom