



## LLOYDS BANKING GROUP plc

*(incorporated in Scotland with limited liability with registered number 95000)*

## LLOYDS BANK plc

*(incorporated in England with limited liability with registered number 2065)*

### Credit Linked Note Programme

#### This Prospectus

This document (this “**Prospectus**”) is the base prospectus for the Credit Linked Note Programme (the “**Programme**”) of Lloyds Bank plc (the “**Bank**” or “**Lloyds Bank**”) and Lloyds Banking Group plc (the “**Company**”) (each an “**Issuer**” and together, the “**Issuers**”) which allows for the issue of Notes (as defined below) by the Bank and the issue of Notes (excluding Credit Linked Notes (as defined below)) by the Company. References in this Prospectus to the “**Issuer**” or the “**relevant Issuer**” when used in relation to a particular Tranche or Series (as defined in “*Overview of the Programme – Method of Issue*”) are to the relevant Issuer of such Tranche or Series, as the case may be, of Notes (as defined below) as specified in the Final Terms.

This Prospectus constitutes a base prospectus for the purposes of Article 5.4 of Directive 2003/71 EC, as amended, to the extent that such amendments have been implemented in the relevant Member State of the European Economic Area (the “**Prospectus Directive**”), and for the purpose of giving information with regard to the Company and its subsidiary and associated undertakings which, for the avoidance of doubt, includes the HBOS Group (the “**Group**” or “**Lloyds**”) and the Bank and its subsidiary and associated undertakings (the “**Lloyds Bank Group**”) which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Bank and the Company, and of the rights attaching to the Notes. This Prospectus is valid for one year from the date hereof and may be supplemented from time to time to reflect any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus.

In respect of any Series of Notes, this Prospectus will be completed by a final terms document specific to those Notes (“**Final Terms**”).

#### Notes

Under the terms of the Programme, the Issuers may issue notes (“**Notes**”) which pay interest at:

- a fixed rate (“**Fixed Rate Notes**”);
- a floating rate (“**Floating Rate Notes**”); or
- a rate that is determined in accordance with a formula linked to a specified underlying rate (“**Rate Linked Notes**”),

or which do not bear interest (“**Zero Coupon Notes**”).

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Notes issued under this Programme may redeem at their nominal amount or another fixed amount or amounts. Additionally, Notes may be issued that redeem early upon the occurrence of a credit event in respect of one or more Reference Entities at an amount calculated by reference to the value of certain obligations of such Reference Entity(ies) or, if specified, by the delivery of the relevant obligations (“**Credit Linked Notes**” and, together with Rate Linked Notes, “**Reference Item Linked Notes**”).

### **Terms and Conditions**

This Prospectus contains, among other things, the legal terms and conditions relating to the Notes (see “*Overview of the Terms and Conditions of the Notes*” on page 17), which comprise the following:

- (i) general terms that apply to all Notes (referred to as the Base General Conditions);
- (ii) terms relating to the asset (or assets) to which the Notes are linked (if any) (referred to as the Asset Conditions); and
- (iii) terms relating to the structured interest (if any) applicable to the Notes (referred to as the Payout Conditions).

Specific details of a Series of Notes, such as amounts, dates, rates and the application (or disapplication) of certain base conditions will be set out in the applicable Final Terms for those Notes.

### **Credit Ratings**

As at the date of this Prospectus:

- (i) long-term senior obligations of the Bank are rated “A” by Standard & Poor’s Credit Market Services Europe Limited (“**S&P**”), “A1” by Moody’s Investors Service Ltd. (“**Moody’s**”) and “A+” by Fitch Ratings Limited (“**Fitch**”);
- (ii) short-term obligations of the Bank are rated “A-1” by S&P, “P-1” by Moody’s and “F1” by Fitch;
- (iii) long-term senior obligations of the Company are rated “BBB+” by S&P, “Baa1” by Moody’s and “A+” by Fitch; and
- (iv) short-term obligations of the Company are rated “A-2” by S&P, “P-2” by Moody’s and “F1” by Fitch.

Each of Fitch, Moody’s and S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

Notes issued under the Programme will be rated or unrated. Where an issue of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to Notes already issued. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

### **Risks**

Prospective investors should have regard to the factors described under the section headed “*Risk Factors*” in this Prospectus.

Prospective purchasers of Notes should ensure that they understand the nature of the relevant Notes and the extent of their exposure to risks and that they consider the suitability of the relevant Notes as an investment in the light of their own circumstances and financial condition. Notes may involve a high degree of risk and prospective purchasers should recognise that Notes, other than Notes having a minimum expiration or redemption value, may expire worthless. Potential purchasers should be prepared to sustain a total loss of their investment. It is the responsibility of potential purchasers to ensure they have sufficient knowledge, experience and professional advice to make their own legal, financial, tax, accounting and other business evaluation of the merits and risks of investing in Notes and are not relying on the advice of the Issuers or the Dealer. See “*Risk Factors*” and “*Taxation*”.

### **Taxes**

The Issuers will not be liable for, or otherwise obliged to pay, any tax, duty or other payment which may arise as a result of the ownership, transfer, exercise, redemption or enforcement of any Note by any person and all payments and/or deliveries made by the relevant Issuer shall be made subject to any such tax, duty, withholding or other payment.

### **Listing and Admission to Trading**

This Prospectus has been approved by the Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000 (“**FSMA**”) (the “**UK Listing Authority**”) as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom. Application has been made for Notes to be admitted to the Official List of the UK Listing Authority (the “**Official List**”) and for such Notes to be admitted to trading on the Regulated Market of the London Stock Exchange plc (the “**London Stock Exchange**”).

**Definitions**

Unless otherwise defined, capitalised terms used in this Prospectus have the meanings given to them in the Conditions.

*Arranger and Dealer*

**Lloyds Bank**

Each of the Bank and the Company accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Bank and the Company (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Where the Notes are Reference Item Linked Notes, any information contained herein relating to any Reference Item will only consist of extracts from, or summaries of, information contained in financial and other information released publicly by the owner or sponsor, as the case may be, of any such Reference Item. Each of the Bank and the Company accepts responsibility for accurately reproducing such extracts or summaries and, so far as the Bank and the Company are aware and are able to ascertain from information published by the owner or sponsor, as the case may be, of such Reference Item, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Notes may not be a suitable investment for all investors. Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable Supplemental Prospectus (as defined in “*Documents Incorporated by Reference*”) and all information contained in the relevant Final Terms;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets;
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and
- (vi) understand the accounting, legal, regulatory and tax implications of a purchase, holding and disposal of an interest in the relevant Notes.

In addition, an investment in Reference Item Linked Notes may entail significant risks not associated with investments in conventional securities such as debt or equity securities, including, but not limited to, the risks set out in “*Risk Factor 10 – Risks related to the structure of a particular issue of Notes*”.

Some Notes are complex financial instruments and such instruments may be purchased by investors as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor’s overall investment portfolio. In particular, Credit Linked Notes are for purchase only by a limited number of investors who are particularly knowledgeable in investment matters.

The distribution of this Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuers and the Dealer to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or with any

securities authority of any State or other jurisdiction of the U.S., and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the accounts or benefit of, U.S. persons nor, subject to certain exceptions may any U.S. person at any time trade or maintain a position in such Notes. The Notes are being offered and sold outside the U.S. to persons that are not U.S. persons (as defined in Regulation S (“**Regulation S**”) under the Securities Act) in reliance on Regulation S. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see “*Selling Restrictions*”.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission, any State securities commission in the United States or any other U.S. regulatory authority, nor has any of the foregoing authorities passed upon or endorsed the merits of the offering of Notes or the accuracy or the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States. In connection with any issue of Notes or otherwise, the relevant Issuer and/or any of its Affiliates may acquire and/or maintain positions in the underlying asset(s) relating to such Notes but neither the relevant Issuer nor any of its Affiliates will have any obligation to acquire or maintain any such position.

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see “*Documents Incorporated by Reference*”).

The Company is a non-operating holding company which carries on all of its trading activities through its direct subsidiary, the Bank. Accordingly, save for the issuance and ongoing management of certain capital instruments by the Company and certain of its subsidiaries, the consolidated financial statements of the Company and the Bank are similar in all material respects.

No person is or has been authorised to give any information or to make any representation other than as contained in this Prospectus in its entirety in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers or the Dealer (each as defined in “*Overview of the Programme*”). Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuers or Lloyds Bank Group since the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. Neither this Prospectus nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation, or constituting an invitation or offer by the Issuers or the Dealer, that any recipient of this Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each prospective investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer. Neither this Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer of, or an invitation by or on behalf of the Issuers or any of the Dealers to any person to subscribe for or purchase, any Notes.

The Issuers may issue Notes to the Dealer and/or any additional or other dealer of an issue of Notes from time to time. Notes not initially sold by the Dealer will be held by the Dealer or an Affiliate or Affiliates of the Dealer and may be retained or sold by the Dealer or such Affiliate or Affiliates from time to time in such amounts and at such prices as the Dealer or such Affiliate or Affiliates may determine. There is no obligation upon the Dealer to sell all of the Notes of any issue. No representation or warranty or other assurance is given as to the number of Notes of a Series issued or outstanding at any time.

In relation to any issue of Notes, the relevant Issuer may appoint the Dealer to offer such Notes in such country or countries and on such terms as may be specified in the relevant Final Terms. The Dealer and its address in relation to any issue of Notes and all other relevant terms relating to the offer of such Notes will be set forth in the relevant Final Terms.

To the fullest extent permitted by law, the Dealer does not accept any responsibility for the contents of this Prospectus or for any other statement made or purported to be made by the Dealer or on its behalf in connection with the Issuers or the issue and offering of the Notes. The Dealer 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 Prospectus or any such statement.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealer as to the accuracy or completeness of the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuers in connection with the Programme. The Dealer does not accept any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuers in connection with the Programme.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall at any time imply that the information contained herein concerning the Issuers is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme or any Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealer expressly does not undertake to review the financial condition or affairs of the Issuers during the life of the Programme. Investors should review, *inter alia*, the documents incorporated herein by reference when deciding whether or not to purchase any Notes.

In this Prospectus, unless otherwise specified or the context otherwise requires, references to “£”, “pounds” and “Sterling” are to pounds sterling, references to “U.S. dollars” and to “U.S.\$” are to United States dollars, references to “Yen” are to Japanese Yen and references to “€” and “Euro” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

In connection with the issue of any Tranche (as defined in “*Overview of the Programme*”), the Dealer (if any) acting as stabilising manager (the “**Stabilising Manager**”) (or persons acting on behalf of any Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager (or persons acting on behalf of any Stabilising Manager) in accordance with all applicable laws and rules.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

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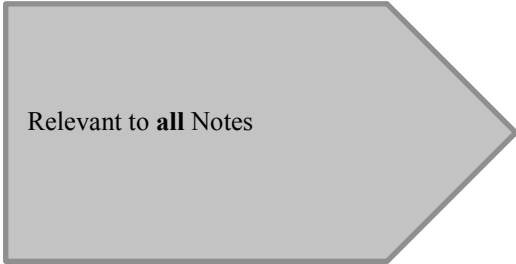


## READER'S GUIDE TO THIS PROSPECTUS

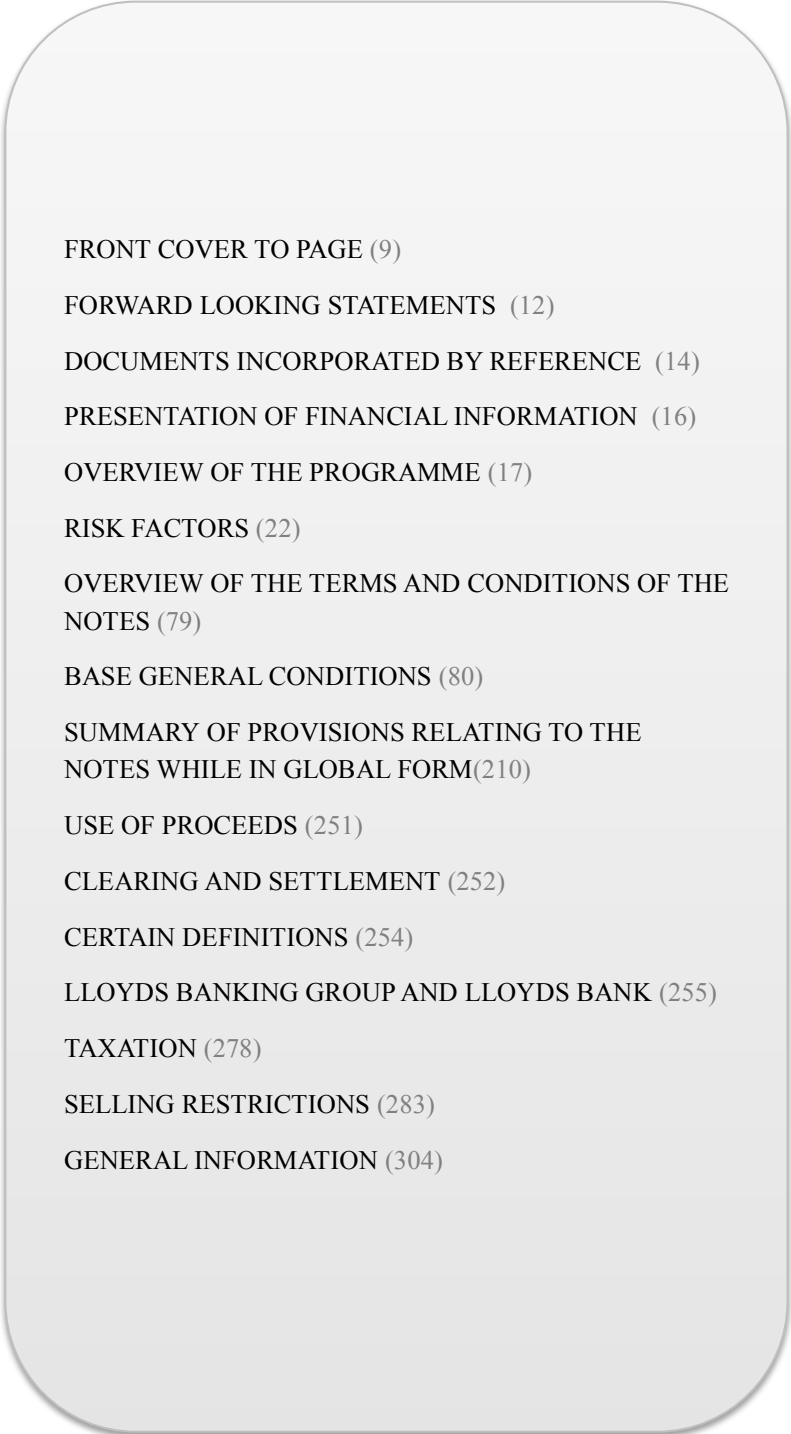
*This section provides a guide as to which parts of this Prospectus are relevant to particular Notes*

A wide range of Notes may be issued under the Programme. This Prospectus provides information about all Notes that may be issued under the Programme. Accordingly, only some of the information in this Prospectus will be relevant to a particular issue of Notes.

In respect of a particular issue of Notes, the following sections of this Prospectus will be relevant (in addition to the Final Terms of such Notes):



Relevant to **all** Notes



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## ASSET CONDITIONS:

If the Final Terms specify that the Notes are **Rate Linked Notes**

AC Chapter 1: Rate Linked Asset Conditions (111)

If the Final Terms specify that the Notes are **Credit Linked Notes**

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## PAYOUT CONDITIONS:

If the Final Terms specify **Structured Floating Rate Coupon** to be applicable

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If the Final Terms specify **Fixed to Floating Coupon** to be applicable

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## FORWARD LOOKING STATEMENTS

*This section sets out considerations that should be taken into account when reading any statement relating to future events and circumstances.*

Certain statements included herein may constitute forward looking statements with respect to the business, strategy and plans of the Bank, the Company, Lloyds Bank Group or the Group and their current goals and expectations relating to their future financial condition and performance. Statements that are not historical facts, including statements about Lloyds Banking Group or its directors' and/or management's beliefs and expectations, are forward looking statements. Words such as 'believes', 'anticipates', 'estimates', 'expects', 'intends', 'aims', 'potential', 'will', 'would', 'could', 'considered', 'likely', 'estimate' and variations of these words and similar future or conditional expressions are intended to identify forward looking statements but are not the exclusive means of identifying such statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon circumstances that will or may occur in the future.

Examples of such forward looking statements include, but are not limited to: projections or expectations of the Group's future financial position including profit attributable to shareholders, provisions, economic profit, dividends, capital structure, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets ("RWAs"), expenditures or any other financial items or ratios; litigation, regulatory and governmental investigations; the Group's future financial performance; the level and extent of future impairments and write-downs; statements of plans, objectives or goals of Lloyds Banking Group or its management including in respect of statements about the future business and economic environments in the United Kingdom ("UK") and elsewhere including, but not limited to, future trends in interest rates, foreign exchange rates, credit and equity market levels and demographic developments; statements about competition, regulation, disposals and consolidation or technological developments in the financial services industry; and statements of assumptions underlying such statements.

Factors that could cause actual business, strategy, plans and/or results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements made by the Group or on its behalf include, but are not limited to: general economic and business conditions in the UK and internationally; market related trends and developments; fluctuations in exchange rates, stock markets and currencies; the ability to access sufficient sources of capital, liquidity and funding when required; changes to the Group's credit ratings; the ability to derive cost savings; changing customer behaviour including consumer spending, saving and borrowing habits; changes to borrower or counterparty credit quality; instability in the global financial markets, including Eurozone instability, the potential for one or more countries to exit the Eurozone or European Union (the "EU") (including the UK as a result of a referendum on its EU membership) and the impact of any sovereign credit rating downgrade or other sovereign financial issues; technological changes and risks to cyber security; natural, pandemic and other disasters, adverse weather and similar contingencies outside the Group's control; inadequate or failed internal or external processes or systems; acts of war, other acts of hostility, terrorist acts and responses to those acts, geopolitical, pandemic or other such events; changes in laws, regulations, accounting standards or taxation, including as a result of further Scottish devolution; changes to regulatory capital or liquidity requirements and similar contingencies outside the Group's control; the policies, decisions and actions of governmental or regulatory authorities or courts in the UK, the EU, the United States or elsewhere including the implementation and interpretation of key legislation and regulation; the ability to attract and retain senior management and other employees; requirements or limitations on the Group as a result of investment by Her Majesty's Treasury ("**HM Treasury**") in the Group; actions or omissions by the Group's directors, management or employees including industrial action; changes to the Group's post-retirement defined benefit scheme obligations; the provision of banking operations services to TSB Banking Group plc ("**TSB**"); the extent of any future impairment charges or write-downs caused by, but not limited to, depressed asset valuations, market disruptions and illiquid markets; the value and effectiveness of any credit protection purchased by the Group; the inability to hedge

certain risks economically; the adequacy of loss reserves; the actions of competitors, including non-bank financial services and lending companies; and exposure to regulatory or competition scrutiny, legal, regulatory or competition proceedings, investigations or complaints.

Lloyds Banking Group may also make or disclose written and/or oral forward looking statements in reports filed with or furnished to the U.S. Securities and Exchange Commission (the “SEC”), Lloyds Banking Group annual reviews, half-year announcements, proxy statements, offering circulars, prospectuses, press releases and other written materials and in oral statements made by the directors, officers or employees of Lloyds Banking Group to third parties, including financial analysts. Except as required by any applicable law or regulation, the forward looking statements contained in this Prospectus are made as of the date hereof, and Lloyds Banking Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained in this Prospectus to reflect any change in Lloyds Banking Group’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

## DOCUMENTS INCORPORATED BY REFERENCE

*This section incorporates selected publicly available information that should be read in conjunction with this Prospectus.*

### ***Lloyds Bank plc financial statements:***

- (i) The unaudited Q1 2016 Interim Management Statement of the Bank for the three months ended 31 March 2016 (the “**Bank’s Q1 2016 Interim Management Statement**”);
- (ii) The Bank’s Annual Report and Accounts 2015 including the audited consolidated annual financial statements of the Bank for the financial year ended 31 December 2015, together with the audit report thereon, as set out on pages 14 to 150 and 12 to 13, respectively (the “**Bank’s 2015 Annual Report**”); and
- (iii) The Bank’s Annual Report and Accounts 2014 including the audited consolidated annual financial statements of the Bank for the financial year ended 31 December 2014, together with the audit report thereon, as set out on pages 13 to 158 and 11 to 12, respectively (the “**Bank’s 2014 Annual Report**”).

### ***Lloyds Banking Group plc financial statements:***

- (i) The unaudited Q1 2016 Interim Management Statement of the Company for the three months ended 31 March 2016 (the “**Q1 2016 Interim Management Statement**”);
- (ii) The audited consolidated financial statements of the Company for the financial year ended 31 December 2015, together with the audit report thereon, as set out on pages 179 to 288 and 171 to 178, respectively, of the Company’s Annual Report and Accounts 2015 (the “**Company’s 2015 Annual Report**”); and
- (iii) The audited consolidated financial statements of the Company for the financial year ended 31 December 2014, together with the audit report thereon, as set out on pages 180 to 331 and 172 to 179, respectively, of the Company’s Annual Report and Accounts 2014 (the “**Company’s 2014 Annual Report**”).

### ***Other documents incorporated by reference:***

- (i) The section entitled “Terms and Conditions of the Securities” on pages 78 to 173 of the Base Prospectus dated 24 April 2015 relating to the Lloyds Bank plc and Lloyds Banking Group plc Credit Linked Note Programme,

all of which have been previously published and filed with the FCA and which shall be deemed to be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Any documents or information themselves incorporated by reference in, or cross-referred to in, the documents incorporated by reference in this Prospectus shall not form part of this Prospectus unless also separately incorporated by reference above. In each case, where only certain sections of a document referred to above are incorporated by reference in the Prospectus, the parts of the document which are not incorporated by reference are either not relevant to prospective investors in the Notes or covered elsewhere in this Prospectus.

The Company is a non-operating holding company which carries on all of its trading activities through its direct subsidiary, the Bank and members of the Lloyds Bank Group. Accordingly, save for the issuance and ongoing management of certain capital instruments by the Company and certain of its subsidiaries, the consolidated financial statements of the Company and the Bank are similar in all material respects.

The Issuers will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the oral or written request of such person, a copy of any or all of the documents which are incorporated in whole or in part by reference herein. Written or oral requests for such documents should be directed to either Issuer at its principal office set out at the end of this Prospectus. Copies of all documents incorporated by reference in this Prospectus can also be viewed on the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html).

The Issuers will, in the event of any significant new factor, material mistake or inaccuracy relating to information included or incorporated by reference in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus (a “**Supplemental Prospectus**”) or publish a new prospectus for use in connection with any subsequent issue of Notes. The Issuers have each undertaken to the Dealer in the Dealer Agreement (as defined in “*Selling Restrictions*”) that they will comply with section 87G of the FSMA.

## PRESENTATION OF FINANCIAL INFORMATION

*This section contains a note regarding the financial information about the Bank presented or referred to in this Prospectus.*

In this Prospectus, references to the “**consolidated financial statements**” or “**financial statements**” are to either Lloyds Banking Group’s consolidated financial statements included in the Company’s 2015 Annual Report or the Lloyds Bank Group’s consolidated financial statements included in the Bank’s 2015 Annual Report, as applicable, unless indicated otherwise.

The consolidated financial statements of each of the Company and the Bank incorporated by reference within the Prospectus have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as adopted by the EU.



## OVERVIEW OF THE PROGRAMME

*This section provides an overview of the Programme.*

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference and the relevant Final Terms. Terms and expressions defined in the Conditions and the form of Final Terms shall have the same meanings in this overview.

### Information relating to the Bank

#### Issuers

Lloyds Bank plc

Lloyds Banking Group plc

#### Business

Lloyds Bank plc (the “**Bank**” or “**Lloyds Bank**”) was incorporated in England and Wales on 20 April 1865 (Registration number 2065). The Bank’s registered office is at 25 Gresham Street, London EC2V 7HN. The Bank is a wholly-owned subsidiary of Lloyds Banking Group plc (the “**Company**”).

The Company was incorporated in Scotland on 21 October 1985 (Registration number 95000). The Company’s registered office is at The Mound, Edinburgh EH1 1YZ. The Company and its subsidiary and associated undertakings are referred to as the “**Lloyds Banking Group**”, “**Lloyds**” or the “**Group**”. The businesses of Lloyds Banking Group are in or owned by the Bank. Lloyds Banking Group is a leading provider of financial services to individual and business customers in the UK. Its main business activities are retail and commercial banking and long-term savings, protection and investment.

#### Risks relating to the Group

*Investors should note that the risks that are stated to apply to “the Group” apply also to the Bank and the Company.*

Risks:

- Relating to borrower and counterparty credit quality.
- Relating to concentrations of credit and market risk.
- Relating to adverse regulatory developments or changes in UK Government, EU or U.S. policy, including capital adequacy requirements.
- Associated with the Banking Act 2009 and the proposed Banking Reform Bill relating to competition and related issues.
- Arising from general macro-economic conditions in the UK, the Eurozone and other markets, instability in the financial markets, market fluctuations, tightening of monetary policy and the sovereign debt crisis.
- Of material negative changes to the estimated fair values of financial assets of the Group.
- Relating to the competitive environment in which the Group operates.
- That the Group could fail to attract or retain senior management or other key employees.

- Of weaknesses or failures in the Group's internal processes, systems and security as a result of internal and/or external events.
- Relating to cyber crime.
- Arising from terrorist acts, other acts of war, geopolitical events, pandemics, or other such events.
- Relating to TSB servicing requirements.
- Associated with the implementation of anti-money laundering policies (and related activities).
- Concerning the complete or partial failure to execute ongoing strategic change initiatives.
- Associated with industrial action and increased labour costs.
- Concerning borrowing costs and the Group's access to liquidity and sources of funding.
- Relating to the real or perceived shortage of capital resources.
- Relating to the Group's insurance businesses and employee pension schemes.
- Relating to the shareholding of the Solicitor for the Affairs of HM Treasury.
- Of assumptions and estimates on which the Group's financial statements are based being wrong.
- Associated with changes in taxation rates, accounting policy, law or interpretation of the law.

#### **Risks relating to the Notes**

#### **Risks:**

Notes may involve a high degree of risk.

There are certain material factors for the purpose of assessing the market risks associated with investing in any issue of Notes, which include, without limitation, the fact that: Notes are unsecured obligations of the relevant Issuer; there may be a time lag between valuation and settlement in relation to a Note; there may be potential conflicts of interest; market disruptions or other events may occur in respect of the particular Reference Item(s) (if any) to which the amounts payable and/or deliverable in respect of the relevant Notes may relate, as specified in the relevant Final Terms; there may be taxation risks; there may be a substitution of the relevant Issuer; there may be the risk that performance of the relevant Issuer's obligations under the Notes may become illegal; there may be exchange rate risks and exchange controls; and the market value of the Notes may be affected by the creditworthiness of the relevant Issuer or the Group and a number of additional factors.

There is no assurance that a liquid secondary market for certain Notes will develop or continue.

Certain Notes may be subject to early redemption at the

relevant Issuer's discretion.

The relevant Issuer may issue Notes with interest calculations in one or more currencies which may differ from the currency in which the principal of the Notes is denominated.

In addition, prospective investors in Reference Item Linked Notes should understand the risks of transactions involving such Notes and should reach an investment decision only after careful consideration, with their advisers, of the suitability of such Notes in light of their particular financial circumstances, the information set forth herein and the information regarding such Notes and the particular Reference Item(s) and/or a payout formula to which the value of, or payments in respect of, the relevant Notes may relate, as specified in the relevant Final Terms.

Where the relevant Final Terms specify one or more Reference Items, the relevant Notes will represent an investment linked to the performance of such Reference Item(s) and prospective investors should note that the return (if any) on their investment in the Notes will depend upon the performance of the relevant Reference Item(s).

The Notes may be subject to certain provisions of the U.S. Internal Revenue Code of 1986.

PROSPECTIVE INVESTORS MUST REVIEW THE RELEVANT FINAL TERMS TO DETERMINE THE RELEVANT REFERENCE ITEM(S) (IF ANY) AND TO SEE HOW THE FINAL REDEMPTION AMOUNT AND ANY PERIODIC PAYMENTS ARE DETERMINED AND WHEN ANY SUCH AMOUNTS ARE PAYABLE AND/OR DELIVERABLE BEFORE MAKING ANY DECISION TO PURCHASE ANY REFERENCE ITEM LINKED NOTES.

**Information relating to the Programme**

**Description**

Credit Linked Note Programme

**Arranger and Dealer**

Lloyds Bank plc

The Issuers or the relevant Issuer may terminate the appointment of the Dealer under the Programme or appoint additional dealers either in respect of one or more Series or Tranches of Notes or in respect of the Programme generally.

**Fiscal Agent, Registrar and Transfer Agent**

Citibank N.A., London Branch

**Calculation Agent**

Lloyds Bank plc and/or Citibank N.A., London Branch or such other calculation agent specified in the relevant Final Terms.

**Currencies**

Subject to all relevant laws, regulations and directives, any currency agreed between the relevant Issuer and the Dealer.

**Maturities**

Subject to all relevant laws, regulations and directives, any maturity.

**Denomination/Number**

Notes will be in such denominations specified in the relevant Final Terms, which for the avoidance of doubt shall be at

	least €100,000 (or equivalent).
<b>Method of Issue</b>	The Notes will be syndicated or non-syndicated and will be issued in series (each a “ <b>Series</b> ”) having one or more issue dates and on terms otherwise identical (other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a “ <b>Tranche</b> ”) on the same or different issue dates.
<b>Type of Notes</b>	The Issuers may from time to time issue Notes of any kind, including, but not limited to, Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Rate Linked Notes and, in respect of the Bank only, Credit Linked Notes.
<b>Types of Payout</b>	The Notes may have any or none of the following payout conditions (collectively the “ <b>Payout Conditions</b> ”): <b>Coupon payout conditions:</b> Structured Floating Rate Coupon Payout Conditions Inverse Floating Rate Coupon Payout Conditions Fixed Rate Step-up/Step-down Coupon Payout Conditions Fixed to Floating Coupon Payout Conditions Floating to Fixed Coupon Payout Conditions Fixed to Floating Switchable Coupon Payout Conditions Floating to Fixed Switchable Coupon Payout Conditions
<b>Fixed Rate Notes</b>	Fixed Rate Notes will bear interest payable in arrear on the date(s) in each year and at the rate specified in the relevant Final Terms.
<b>Floating Rate Notes</b>	Floating Rate Notes will bear interest on the same basis as the floating rate under a notional interest rate swap transaction, or by reference to GBP LIBOR, EURIBOR, HIBOR, STIBOR, SIBOR, TIBOR, CDOR, BBSW, USD LIBOR, CHF LIBOR, JPY LIBOR, EONIA, SONIA or NIBOR.
<b>Zero Coupon Notes</b>	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest, except that any overdue principal will bear interest from the Maturity Date at a rate equal to the Amortisation Yield.
<b>Rate Linked Notes</b>	Rate Linked Notes will bear interest at a rate calculated in accordance with the relevant Coupon Payout Condition which is specified to be applicable in the relevant Final Terms.
<b>Credit Linked Notes</b>	Lloyds Bank plc as Issuer may from time to time issue Notes where the redemption amount or delivery amount will be calculated by reference to the performance of a reference entity or entities.
<b>Maximum/Minimum Interest Rate</b>	Notes may also have a maximum interest rate and/or a minimum interest rate.
<b>Additional Disruption Events</b>	Upon the occurrence of an Additional Disruption Event, if

	specified in the relevant Final Terms, Credit Linked Notes will be subject to adjustment or may be redeemed.
<b>Issue Price</b>	Notes will be issued at such price specified in the relevant Final Terms (if any).
<b>Redemption of Notes</b>	Notes will be redeemed on the relevant Maturity Date at their final redemption amount (the “ <b>Final Redemption Amount</b> ”). If Notes are redeemable in two or more instalments (“ <b>Instalment Notes</b> ”), the Final Terms will set out the dates on which, and the amounts at which, such Notes may be redeemed.
<b>Form of Notes</b>	The Notes may be issued in bearer form only (“ <b>Bearer Notes</b> ”), represented by a Global Note, in bearer form exchangeable for Registered Notes (“ <b>Exchangeable Bearer Notes</b> ”) or in registered form only (“ <b>Registered Notes</b> ”) represented by a Global Note Certificate.
<b>Clearing Systems</b>	Unless otherwise specified in the relevant Final Terms, Clearstream, Luxembourg and Euroclear.
<b>Expenses and Taxes</b>	If specified in the relevant Final Terms, a holder of Notes must pay or discharge all Expenses relating to such Notes.
<b>Status</b>	The Notes constitute unsecured and unsubordinated obligations of the relevant Issuer.
<b>Listing and admission to trading</b>	Application has been made to admit any Notes issued to the Official List and to admit them to trading on the Regulated Market of the London Stock Exchange.
<b>Governing Law</b>	English.
<b>Selling Restrictions</b>	United States, United Kingdom and all jurisdictions listed in “ <i>Selling Restrictions</i> ”. Other restrictions may be required in connection with a particular issue of Notes. Each of the Issuers is Category 2 for the purposes of Regulation S under the Securities Act.  The Bearer Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form as such rules for purposes of section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “ <b>Code</b> ”)) (the “ <b>D Rules</b> ”) unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form as such rules for purposes of section 4701 of the Code) (the “ <b>C Rules</b> ”) or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“ <b>TEFRA</b> ”), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

## **RISK FACTORS**

*This section sets out the principal risks inherent in investing in Notes issued under the Programme.*

The Issuers believe that the following factors may affect their ability to fulfil their obligations under the Notes issued under the Programme and confirm that the risks that are stated to apply to “the Group” below apply also to the Bank and the Company. All of these factors are contingencies which may or may not occur and the Issuers are not in a position to express a view on the likelihood of any such contingency occurring. Factors which the Issuers believe may be material for the purpose of assessing the market risks associated with Notes issued under the Programme in relation to the Group are also described below.

The Issuers believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuers to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuers do not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective purchasers should consider carefully the risks and uncertainties described below, together with all other information contained in this Prospectus and the information incorporated by reference herein before making any investment decision. Terms defined in the Conditions and the form of Final Terms shall have the same meanings in these Risk Factors.

### **CONTENTS OF THESE RISK FACTORS**

#### **RISK FACTORS RELATING TO THE BANK, THE COMPANY AND GROUP**

1. Credit-related risks
2. Conduct risks
3. Regulatory and legal risks
4. Business and economic risks
5. Operational risks
6. Financial soundness-related risk
7. Government related risks
8. Other risks

#### **RISK FACTORS RELATING TO THE NOTES**

9. General risks associated with the Notes
10. Risks related to the structure of a particular issue of Notes
11. Additional risks associated with Notes that are linked to Reference Item(s)
12. Additional risks associated with Notes that are linked to a particular Reference Item
13. General risks relating to Notes with structured payouts
14. Additional risks associated with particular structured payouts
15. Risks relating to the market generally

## RISK FACTORS RELATING TO THE BANK, THE COMPANY AND GROUP

### 1 Credit related risks

#### 1.1 The Group's businesses are subject to inherent risks concerning borrower and counterparty credit quality which have affected and may adversely impact the recoverability and value of assets on the Group's balance sheet.

The Group has exposures (lending, undrawn commitments, derivative, equity, contingent and/or settlement risks) to many different products, counterparties and obligors and the credit quality of its exposures can have a significant impact on the Group's earnings. Credit risk exposures are categorised as "retail", arising primarily in the Retail, Consumer Finance and parts of the Run-Off divisions, and small and medium-sized enterprises ("SME") and "corporate" (including medium and large corporates, banks, financial institutions and sovereigns), arising primarily in the Commercial Banking, Run-Off and Insurance divisions. This reflects the risks inherent in the Group's lending and lending-related activities and in the insurance business primarily in respect of investment holdings (including loan assets) and exposures to reinsurers. Adverse changes in the credit quality of the Group's UK and/or international borrowers and counterparties or collateral held in support of exposures, or in their behaviour or businesses, may reduce the value of the Group's assets and materially increase the Group's write-downs and allowances for impairment losses. Credit risk can be affected by a range of factors outside the Group's control, which include but are not limited to an adverse economic environment (in the UK and/or in countries where the Group and/or its customers/counterparties do and do not operate), reduced UK consumer and/or government spending (in light of the Group's concentration in the UK), global economic slowdown leading to constraints on liquidity (given concerns around the Eurozone, adverse economic environments in China and emerging markets and other macro-economic issues), changes in the credit rating of individual counterparties (including sovereigns), the debt levels of individual contractual counterparties and the economic environment in which they operate, increased unemployment, reduced asset values, increased personal or corporate insolvency levels, adverse sector concerns, falling stock and bond/other financial markets, reduced corporate profits, over-indebtedness (including sovereigns), changes (and the timing, quantum and pace of these changes) in interest rates (including the potential increase in the use of negative interest rates), volatility of oil and commodity prices, changes in foreign exchange rates, higher tenant defaults, counterparty challenges to the interpretation or validity of contractual arrangements, a sharp increase in credit spreads, changes to insolvency regimes making it harder to enforce against counterparties and any external factors of a political, legislative or regulatory nature, including for example, the imposition of "living wage" requirements and tax changes relating to buy-to-let investments in the UK. There are many other factors that could impact credit risk, for example fraud, natural disasters, flooding, war and acts of terrorism.

The Group has credit exposure both in the UK and internationally, including Europe, the U.S., Asia and Latin America. The Group's credit exposure includes residential mortgages and commercial real estate lending, including commercial real estate lending secured against secondary and tertiary non-prime assets in the UK. The Group also has significant credit exposure to certain individual counterparties in cyclically weak sectors (such as leveraged lending, oil and gas, commodity traders, automotives, construction and retail) and weakened geographic markets and to counterparties whose businesses may be impacted by material unforeseen events. In addition, the Group has concentrated country exposure in the UK and within certain industry sectors, namely real estate and real estate-related sectors and financial intermediation including providing facilities to funds, predominantly against high quality (investment grade equivalent) investors. Other industry sectors have been adversely impacted by recent global economic events; for example the oil and gas sector, automotives and commodities trading and such adverse developments in these sectors increases the risk of default by the Group's customers in these sectors. The Group's retail customer portfolios (including those in

the Retail, Consumer Finance and Run-Off divisions) will remain strongly linked to the UK economic environment, with house price deterioration, unemployment increases, consumer over-indebtedness and rising interest rates among the factors that may impact secured and unsecured retail credit exposures.

In recent years, a number of factors such as Eurozone instability (including, without limitation, the risk of economic stagnation/deflation in the Eurozone or of a member leaving the Eurozone), the deterioration of capital market conditions, the global economic slowdown (once again a concern given recent slowdown in economic growth across China and emerging markets and other macro-economic issues) and measures adopted by the governments of individual countries have reduced and could further reduce households' disposable income and businesses' profitability. Such volatile conditions could also have a negative impact on customers' ability to honour their obligations, which in turn would result in deterioration of the Group's credit quality. If political conditions or uncertainty over the Eurozone, or the UK Government and Eurozone austerity measures and public spending cuts, result in a prolonged period of economic stagnation for the UK or Eurozone, or a slowdown in the rate of economic recovery or there is a broader economic slowdown, it may lead to further weakening of counterparty credit quality and subsequent higher impairment charges or fair value reductions in the Group's lending and contingent, equity and derivative portfolios. This could have a material adverse effect on the Group's results of operations, financial condition or prospects.

The possibility of prolonged economic stagnation in the EU or the risk of a member leaving the EU (including potentially the UK), or the risk of a Eurozone member leaving the Eurozone could impact the UK's own economic recovery, given the extensive trade links between the UK and the Eurozone/EU. Given the extensive economic and financial links between the UK and the Eurozone, this could impact upon the Group's performance. The Group has credit exposure to SMEs and corporates, financial institutions and securities which may have material direct and indirect exposures in the Eurozone countries. Any default on the sovereign debt of these countries and the resulting impact on other Eurozone countries, including the potential that some countries could leave the Eurozone, could have a material adverse effect on the Group's business.

At present, default rates are partly cushioned by low rates of interest which have helped customer affordability, but the risk remains of increased default rates as interest rates start to rise. The timing, quantum and pace of any rise in interest rates is a key risk factor for the Group's default rates with expectations on the timing and quantum of any rises set by the Bank of England and also by the relevant central bank when lending in a foreign currency.

All new lending is dependent on the Group's assessment of each customer's ability to repay and the value of any underlying security and there is an inherent risk that the Group has incorrectly assessed the credit quality or willingness of borrowers to repay, possibly as a result of incomplete or inaccurate disclosure by those borrowers or as a result of the inherent uncertainty that is involved in the exercise of constructing models to estimate the true risk of lending to counterparties. The Group estimates and establishes reserves for credit risks and potential credit losses inherent in its credit exposure. This process, which is critical to the Group's results and financial condition, requires difficult, subjective and complex judgements, including forecasts of how macro-economic conditions might impair the ability of borrowers to repay their loans. As is the case with any such assessments, there is always a risk that the Group will fail to adequately identify the relevant factors or that it will fail to estimate accurately the impact of these identified factors.

## **1.2 Concentration of credit and market risk could increase the Group's potential for significant losses including in an adverse market/environment.**

The Group has exposure to concentration risk where its business activities focus particularly on a single obligor or a similar type of customer (borrower, sovereign, financial institution or central counterparty), product, industrial sector or geographic location, including the UK market.



The Group has large sectorial concentrations (primarily in gilts, real estate and real estate-related lending, and financial intermediation including providing facilities to funds, predominantly against high quality (investment grade equivalent) investors and to a lesser extent, oil and gas, automotive, agriculture, leveraged lending and asset-backed securities), as well as significant global credit exposure. Additionally, the Group also has significant exposure to the UK residential mortgage market. Whilst progress has been made to mitigate concentration risk in certain portfolios (for example, commercial real estate and real estate-related lending and asset-backed securities), the Group continues to expect challenges in achieving the required level of sales to manage remaining concentrations. Any downturn in these sectors could increase the risk of defaults by the Group's customers in these sectors and in turn, adversely impact the Group's results of operations, financial condition or prospects.

The Group has significant real estate and real estate-related exposure, including secondary and tertiary non-prime assets, meaning that decreases in residential or commercial property values and/or increases in tenant defaults are likely to lead to higher impairment charges, which could materially affect the Group's results of operations, financial condition or prospects.

The Group's corporate lending portfolio also contains substantial exposure to large, mid-sized, public and private companies. Exposures to sectors that have experienced cyclical weakness in recent years, coupled with a historic strategy of taking large single name concentrations to non-listed companies and entrepreneurs, and taking exposure at various levels of the capital structure, may give rise to (albeit reducing) single name and risk capital exposure. Whilst expectation of default for these exposures is appropriately provided for within the Board's base case assumptions, they remain vulnerable to downside risks. As in the UK, the Group's lending business overseas is also exposed to a small number of long-term customer relationships and these single name concentrations place the Group at risk of loss should default occur.

The Group's efforts to continue to divest, diversify or manage its credit portfolio against concentration risks may not be successful and any concentration of credit risk could increase the potential for significant losses in its credit portfolio. In addition, any disruption in the liquidity or transparency of the financial markets may result in the Group's inability to sell or syndicate securities, loans or other instruments or positions held (including underwriters), thereby leading to increased concentrations of such positions. These concentrations could expose the Group to losses if the mark-to-market value of the securities, loans or other instruments or positions declines causing the Group to take write-downs. Moreover, the inability to reduce the Group's positions not only increases the market and credit risks associated with such positions, but also increases the level of risk-weighted assets on the Group's balance sheet, thereby increasing its capital requirements and funding costs, all of which could materially adversely affect the Group's operating results, financial condition or prospects.

The Group's corporate portfolios are also susceptible to "fallen angel" risk, that is, the possibility of default increases significantly following material unexpected events, resulting in the potential for large losses. These types of events can occur from time to time, and may include for example, major fraud, poor corporate governance, high profile incidents and collapse in specific sectors or products. These are very difficult to forecast.

**1.3 The Group may be forced to record further credit valuation adjustments on securities insured or guaranteed by market counterparties, insurers and credit counterparties, which could have a material adverse effect on the Group's results of operations, financial condition or prospects.**

The Group has limited remaining credit exposure to market counterparties through securities insured or guaranteed by such parties and credit protection bought from such parties with respect to certain over-the-counter ("OTC") derivative contracts, mainly credit default swaps ("CDS") which are recorded at fair value. The fair value of these CDS and other securities, and the Group's exposure to the risk of default by the underlying counterparties, depend on the valuation and the perceived credit

risk of the instrument insured or guaranteed or against which protection has been bought and the credit quality of the protection provider (e.g. the CDS counterparty). The Group seeks to limit and manage direct exposure to market counterparties. However, indirect exposure may exist through other financial arrangements and counterparties. Any primary or indirect exposure to the financial condition or creditworthiness of these counterparties may have a material adverse effect on the Group's results of operations, financial condition or prospects. If the financial condition of market counterparties or their perceived creditworthiness deteriorates, the Group may record credit valuation adjustments on the underlying instruments insured by such parties. Although credit value adjustments, debit value adjustments and funding value adjustments are actively managed within the Group, in stressed market conditions adverse movements in these could result in a material charge to the Group's profit and loss account.

## 2 Conduct risks

- 2.1** The Group is exposed to various forms of conduct risk in its operations, including the risk of misselling financial products, mishandling of complaints, business planning and strategy not being based upon customer need and not supporting fair customer outcomes, and engaging in conduct which disrupts the fair and effective operation of a market in which it is active, any of which could have a material adverse effect on the Group's results or its relations with its customers and regulators.
- 2.2** The Group is exposed to various forms of conduct risk in its operations. Such risks are inherent in banking services. These include business and strategic planning that does not sufficiently consider customer need (leading to products being offered beyond target markets and misselling of financial products), ineffective management and monitoring of products and their distribution (which could result in customers receiving unfair outcomes), a culture that is not sufficiently customer-centric (potentially driving improper decision making and unfair outcomes for customers), outsourcing of customer service and product delivery via third parties that do not have the same level of control, oversight and culture as the Group (resulting in unfair customer outcomes which could lead to reputational damage and regulatory investigations), the possibility of alleged misselling of financial products or the mishandling of complaints related to the sale of such products (which could require amendments to sales processes, withdrawal of products or the provision of restitution to affected customers, all of which may require additional provisions in the Group's financial accounts), poor governance of colleagues' incentives and rewards and approval of schemes which drive unfair customer outcomes. These can lead to remediation and regulatory intervention/enforcement (including fines) and ineffective management and oversight of legacy conduct issues. This can result in customers who are undergoing remediation being unfairly treated, and therefore further rectification being required. The Group is also exposed to the risk of engaging in conduct which disrupts the fair and effective operation of a market in which it is active.
- 2.3** While the Group has implemented a number of policies in order to help mitigate against these risks, no assurance can be given that the strategy and framework will be effective and will not have an adverse effect on the Group's results of operations, financial condition or prospects.

## 3 Regulatory and legal risks

- 3.1 The Group and its businesses are subject to substantial regulation and oversight. Adverse legal or regulatory developments could have a significant material adverse effect on the Group's results, operations, financial condition or prospects.**

The Group and its businesses are subject to legislation, regulation, court proceedings, policies and voluntary codes of practice including the effects of any changes in these or the interpretation of them in the UK, the EU and the other markets in which the Group operates. The Group is therefore subject to associated legal and regulatory risks, including risk in connection with legal and regulatory actions and market reviews. Depending on the specific nature of the requirements and how they are enforced,

they could have a significant impact on the Group's operations, business prospects, structure, costs and/or capital requirements and ability to enforce contractual obligations.

These laws and regulations include (i) increased regulatory oversight, particularly in respect of conduct issues, (ii) prudential regulatory developments, including ring-fencing, (iii) increased legislative requirements including the new Senior Managers and Certification Regime (the "SMCR"), and (iv) other industry-wide initiatives.

Unfavourable developments across any of these areas, discussed in greater detail elsewhere herein, could materially affect the Group's ability to maintain appropriate liquidity, increase its funding costs, constrain the operation of its business and/or have a material adverse effect on the Group's business, results of operations and financial condition. Areas where these changes could have an adverse effect on the Group include, but are not limited to:

- (i) general changes in government, central bank or regulatory policy, or changes in regulatory regimes that may influence investor decisions in particular markets in which the Group operates, any of which may change the structure of those markets and the products offered or may increase the costs of doing business in those markets;
- (ii) external bodies applying or interpreting standards, laws, regulations or contracts differently to the Group;
- (iii) an uncertain and rapidly evolving prudential regulatory environment which could materially adversely affect the Group's ability to maintain liquidity and increase its funding costs;
- (iv) changes in competitive and pricing environments, including markets investigations, or one or more of the Group's regulators intervening to mandate the pricing of the Group's products, as a consumer protection measure;
- (v) one or more of the Group's regulators intervening to prevent or delay the launch of a product or service, or prohibiting an existing product or service;
- (vi) further requirements relating to financial reporting, corporate governance, corporate structure and conduct of business and employee compensation;
- (vii) expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership;
- (viii) changes to regulation and legislation relating to economic and trading sanctions, money laundering and terrorist financing; and
- (ix) regulatory changes which influence business strategy, particularly the rate of growth of the business, or which impose conditions on the sales and servicing of products, which have the effect of making such products unprofitable or unattractive to sell.

With respect to the State Aid commitments agreed with the European Commission by the Group under the State Aid regime in 2009, the Group has satisfied all material structural and behavioural commitments following the successful carve-out and disposal of TSB and non-core asset reductions. The Group is therefore no longer subject to restrictive behavioural commitments including the constraint on acquisitions, but the Group continues to be bound by two remaining limited ancillary commitments which means that the Group remains subject to supervision by the European Commission with respect to these commitments until they cease to have effect on or before June 2017.

For more detail on the changing prudential regulatory environment see "*Risk Factors — Regulatory and legal risks — The Group faces risks associated with an uncertain and rapidly evolving international prudential, legal and regulatory environment*".

### 3.2 The Group faces risks associated with an uncertain and rapidly evolving international prudential, legal and regulatory environment.

The Group's borrowing costs and access to capital markets, as well as its ability to lend or carry out certain aspects of its business, could be affected by prudential regulatory developments, including (i) amendments to FSMA introduced by the Financial Services (Banking Reform) Act 2013 (the "**Banking Reform Act**") along with secondary legislation and PRA/FCA rules made under the Banking Reform Act; (ii) amendments to the EU legislation comprising the Capital Requirements Directive and the Capital Requirements Regulation ("**CRD IV**"), effective from 1 January 2014, or implementation of CRD IV in the UK; (iii) evolving European and global prudential and regulatory changes; and (iv) regulatory changes in the U.S.

#### *Banking Reform Act*

The Banking Reform Act received Royal Assent on 18 December 2013. The Banking Reform Act's measures contain provisions with respect to, amongst other things (i) ring-fencing domestic retail banking services of UK banks and (ii) the new SMCR.

#### *Ring-Fencing*

The Banking Reform Act, secondary legislation and PRA/FCA rules made under the Banking Reform Act have enacted amendments to the FSMA that require UK banking groups (such as the Group) with more than £25 billion (on a group-wide basis) of core deposits (defined as "**ring-fenced bodies**" or "**RFBs**") to separate retail banking activities – particularly deposit-taking and associated services – from certain prohibited forms of activity, including (i) dealing in investments; (ii) incurring exposures to relevant financial institutions (which include, amongst others, credit institutions (other than RFBs), investment firms and alternative investment funds (subject to certain limited exceptions)); (iii) participating in an inter-bank payment system other than as a direct member (subject to certain limited exceptions); and (iv) having non-EEA branches or subsidiaries. RFBs are also subject to regulations governing how pension arrangements can be managed, following the implementation of ring-fencing.

The PRA and FCA are required by the Banking Reform Act to implement ring-fencing rules (the "**Ring-fencing Rules**") by 1 January 2019, with the deadline for implementing changes to the Group's pension scheme being 1 January 2026. The PRA has published consultation papers covering: (i) the legal structure of an RFB and its wider group; (ii) the governance arrangements for an RFB; (iii) the continuity of services and facilities; (iv) prudential requirements applicable to the RFB sub-group; (v) intra-group arrangements; (vi) the use of financial market infrastructure by RFBs; and (vii) reporting requirements regarding compliance with the ring-fencing regime, including an RFB's reliance on any exemptions to the excluded activities and prohibitions under secondary legislation. RFBs are able to apply for waivers of the Ring-fencing Rules in accordance with the statutory procedure for waivers set out in FSMA. In May 2015, the PRA published near-final rules covering items (i) through (iv) above. The PRA and FCA have also been granted powers to impose certain restructuring requirements on RFBs, their parent undertakings and certain other regulated entities within an RFB's group if, in broad terms, the financial stability of the RFB is deemed to be at risk.

Whilst the Ring-fencing Rules and other guidance are not yet in final form, it is expected that the implementation of the Ring-fencing Rules will have an impact on the Group's structure, governance arrangements, business and reporting models, operations, costs and financing arrangements. The Group expects that due to the implementation of this legislation, it will be required to reorganise its business, however, the full extent of changes required by the Group under the Ring-fencing Rules is not yet known. The Group is actively engaged with HM Treasury, the PRA and FCA to ensure that it is able to fully implement the restructuring required to implement ring-fencing by the January 2019 deadline. As required under the PRA's second consultation paper, the Group submitted its latest implementation plan to the PRA and FCA in early 2016. In addition, the Group will become subject to

the expanded oversight powers granted to HM Treasury, the PRA and the FCA under the Banking Reform Act from 1 January 2019.

#### *Senior Managers and Certification Regime*

The SMCR is a new regime which replaces the approved persons regime for deposit takers and other PRA designated firms. The SMCR came into force on 7 March 2016. The SMCR comprises a number of elements, including the senior managers' regime, the certification regime and the conduct rules, which could potentially be expanded by changes proposed by the Bank of England and the Financial Services Bill 2015/16. The Group could be exposed to additional risk or loss if it is unable to comply with the requirements arising from the SMCR or if doing so imposes significant demands on the attention of management.

#### *Capital Requirements Regulation*

In 2012, the Basel Committee on Banking Supervision (the "**Basel Committee**") approved significant changes to the regulatory framework applicable to the Group, including new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions (such changes being commonly referred to as "**Basel III**"). The Basel III changes refer to, amongst other things, (i) new requirements for a bank's capital base; (ii) measures to strengthen capital requirements for counterparty credit exposures arising from certain transactions; (iii) the introduction of a leverage ratio and (iv) short-term and longer-term standards for funding and liquidity.

The Basel III reform package has been implemented in Europe through CRD IV. Full implementation began from 1 January 2014, with particular elements being phased in over a period of time, to be fully effective by 2024.

As a European regulation, the Capital Requirements Regulation is directly applicable in the UK and the Group is subject to its requirements. In December 2013, the PRA published its principal statement of policy, setting out the PRA rules in order to implement the Capital Requirements Directive in the UK.

The CRD IV regime is expected to continue to evolve as a result of further changes agreed by EU legislators, binding regulatory technical standards and guidelines to be developed by the European Banking Authority ("**EBA**") and changes to the way in which the PRA interprets and applies these requirements to UK financial institutions. Whilst the Group does not anticipate any material change to capital requirements as a consequence of the EBA regulatory technical standards and guidelines there is a risk that this may not be the case.

CRD IV introduced a number of new capital buffers to provide further capital cushions for additional risks that financial institutions may be subject to. These buffers will be fully phased in by 1 January 2019 and comprise: (i) a capital conservation buffer; (ii) a time-varying counter-cyclical capital buffer; (iii) buffers applicable to global systemically important banks ("**G-SIBs**"); (iv) buffers applicable to other systemically important banks; and (v) a systemic risk buffer ("**SRB**"). The Group is not currently categorised as a G-SIB for which the Financial Stability Board ("**FSB**") has set buffer rates. However, within the UK, the Bank of England's Financial Policy Committee ("**FPC**") issued a consultation paper in January 2016 on the domestic SRB framework that will apply to the Group's RFB sub-group, with a finalised framework to be published in 2016.

Under CRD IV Article 141, institutions that fail to meet their "combined buffer requirements" (consisting of buffers (i), (ii), and the higher of (iii), (iv) and (v)) will be subject to restrictions on the making of certain discretionary payments (including dividends on ordinary shares, coupons or AT1 securities and certain items of variable remuneration). These restrictions are scaled according to the

extent of the breach and result in a maximum distributable amount which may be expended on such discretionary payments in each relevant period.

As there are aspects of the Group's capital buffer requirements which are still to be determined, investors may not be able to predict accurately the risk of dividends on ordinary shares or distributions on other securities being prohibited or restricted as a result of CRD IV Article 141.

In December 2015, the FPC released a supplement to its Financial Stability Report on the framework of capital requirements for UK banks. The supplement outlined the FPC's final views on the overall calibration of the UK capital framework and described how the framework of capital requirements for UK banks is expected to transition from its current state to its end point in 2019, as well as ongoing work to refine requirements during that transition period. In this supplement, the FPC set out its strategy for the time-varying UK counter-cyclical capital buffer which will be applied to a bank's UK exposures. As at the date of this Prospectus, the rate remains at 0 per cent. However, on 23 March 2016, the FPC decided to increase the UK counter-cyclical capital buffer rate from 0 per cent to 0.5 per cent of risk-weighted assets with effect from 29 March 2017, at which time the overlapping aspects of Pillar 2 supervisory capital buffers will be removed or reduced. The FPC has also indicated that it expects to review the counter-cyclical buffer quarterly and to set a UK counter-cyclical capital buffer rate in the region of 1 per cent. of risk-weighted assets when risks are judged to be neither subdued nor elevated but the rate can be set in excess of this level. There remains a risk therefore that the counter-cyclical capital buffer could lead to an increase in capital requirements applicable to the Group.

The FPC supplement also set out how the PRA intends to set a PRA buffer for individual banks which is the minimum level of capital buffer required by the PRA. The PRA buffer is confidential between the Group and the PRA and can be set at a level in excess of the combined buffer requirements and any further sectoral capital measures that the PRA has imposed. As a result, investors may not be able to predict accurately the risk of dividends on ordinary shares or distributions on other securities being restricted as a result of the PRA buffer.

In addition to the risk based capital framework, the Group is also subject to minimum requirements under the UK leverage framework. Currently, the UK leverage ratio framework does not give rise to higher capital requirements for the Group than the risk-based capital framework but there is a risk that it could do so as a result of a change in the Group's financial position or a strengthening of the regulatory requirements (which are expected to be calibrated by 2017).

The Group will monitor the ongoing changes to the capital framework which may affect the Group's financial position or require the strengthening of regulatory requirements.

#### *Evolving European and Global Prudential and Regulatory Changes*

More generally and in the longer term, the Basel Committee is considering revisions to Basel III including: credit risk capital requirements and capital floors; operational risk capital requirements; and capital requirements covering credit valuation adjustments. However, it is still too early to understand the full impact of these reforms.

In addition, the EBA issued a consultation paper to implement a Minimum Requirement for Own Funds and Eligible Liabilities ("MREL"), which will apply to EU financial institutions and cover capital and debt instruments that are capable of being written-down or converted to equity in order to prevent a financial institution from failing in a crisis. In December 2015, ahead of its powers to set MREL coming into force on 1 January 2016, the Bank of England published a consultation on its approach to setting MREL. The Bank of England has stated that it expects to set consolidated MREL in 2016 no higher than institutions' current regulatory minimum capital requirements. For most institutions, the Bank of England proposes to set a final MREL conformance date of 1 January 2020 with MREL requirements transitioning up to that date. The PRA has also separately stated that financial institutions should expect the PRA to investigate whether any financial institution in breach

of its MREL requirement is failing, or likely to fail, to satisfy the threshold conditions for authorisation, with a view to taking further action as necessary. There is a risk that the final MREL requirements and the UK implementation of them may create an unexpected adverse impact upon the amount, mix and associated cost of the Group's capital and eligible debt of the Group.

Following the report of the European Commission's high-level expert group on banking structural reform chaired by Erkki Liikanen (the "**Liikanen Report**"), published in 2012, structural reform measures that are similar to some of those contained in the Banking Reform Act are also under consideration.

European Regulation 648/2012, known as the European Market Infrastructure Regulation ("**EMIR**"), introduces new requirements to improve transparency and reduce the risks associated with the derivatives market. EMIR came into force on 16 August 2012 and when it fully comes into effect, EMIR will require entities that enter into any form of derivative contract, including interest rate, foreign exchange, equity, credit and commodity derivatives, to: (i) report every derivative contract entered into to a trade repository; (ii) implement new risk management standards (including operational processes and margining) for all bilateral OTC derivative trades that are not cleared by a central counterparty; and (iii) clear, through a central counterparty, OTC derivatives that are subject to a mandatory clearing obligation. Some of the requirements under EMIR (such as some clearing requirements) have yet to come into effect. The first clearing obligations for certain interest rate derivatives will apply from 21 June 2016 (but are subject to a number of phasing in provisions). Variation margin requirements for uncleared trades are expected to come into effect from 1 September 2016 for major market participants and on 1 March 2017 for all other counterparties. Initial margin requirements are expected to be phased in between 1 September 2016 and 1 September 2020. Although uncertainty remains about some of the final details, impact and timing of these requirements, the Group expects that there will be additional costs and limitations on the Group's business resulting from these requirements.

Significant regulatory initiatives from the U.S. impacting the Group include the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**"), which provides a broad framework for significant regulatory changes that extend to almost every area of U.S. financial regulation, which could have an adverse effect on the Group's businesses. For example, final rules implementing the Volcker Rule came into effect from 22 July 2015, including prohibitions on certain types of proprietary trading by the Group, and limiting its ability to make investments in and sponsor certain private equity funds and hedge funds, subject to certain extensions for the Group to bring its activities into full compliance. Although uncertainty remains about some of the final details, impact and timing of the Dodd-Frank Act's implementing regulations, there will be additional costs and limitations on the Group's business resulting from both the finalised and pending regulatory initiatives, including the final rules imposing registration and other requirements on entities that engage in derivatives activities.

The full impact of the derivative market regulations on the Group remains unclear, and could have a materially adverse effect on the Group's results, operations, financial condition or prospects. In particular, the costs of complying with the regulations are expected to be burdensome, giving rise to additional expenses that may have an adverse impact on the Group's financial condition. Additionally, such regulations could make it more difficult and expensive to conduct hedging and trading activities. As a result of these increased costs, the regulation of the derivative markets may also result in the Group deciding to reduce its activity in these markets.

It is difficult to predict how and in what final form many of the regulatory changes described herein will be implemented and what financial obligations may be imposed in relation thereto. While the Group continues to work closely with regulatory authorities and industry associations to ensure that it is able to identify and respond to proposed regulatory changes, the Group could be exposed to

additional risk of loss if it is unable to comply with the requirements arising from these regulations or if doing so imposes significant demands on the attention of management. Depending on the specific nature of the requirements and how they are enforced, such changes could have a significant impact on the Group's operations, business prospects, structure, costs and/or capital requirements including changes to how the Group and its businesses are capitalised and funded, distribution of capital, reducing weighted assets, modifying legal entity structure and changing the Group's business mix to strengthen the Group's capital position.

### **3.3 The Group and its UK subsidiaries may become subject to the provisions of the Banking Act 2009, as amended, which could have an adverse impact on the Group's business.**

Under the Banking Act 2009 as amended (the "**Banking Act**"), substantial powers have been granted to HM Treasury, the Bank of England and the PRA and FCA (together, the "**Authorities**") as part of the special resolution regime (the "**SRR**"). These powers enable the Authorities to deal with and stabilise UK-incorporated institutions with permission to accept deposits pursuant to Part 4A of the FSMA that are failing or are likely to fail to satisfy certain threshold conditions (within the meaning of Section 55B of the FSMA). The SRR consists of five stabilisation options: (i) transfer of all or part of the business of the relevant entity or the shares of the relevant entity to a private sector purchaser; (ii) transfer of all or part of the business of the relevant entity to a "bridge bank" established and wholly owned by the Bank of England; (iii) transfer all or part of the relevant entity or "bridge bank" to an asset management vehicle; (iv) making of one or more resolution instruments by the Bank of England; and (v) temporary public ownership of the relevant entity. HM Treasury may also take a parent company of a relevant entity into temporary public ownership where certain conditions are met. The SRR also provides for two new insolvency and administration procedures for relevant entities. Certain ancillary powers include the power to modify certain contractual arrangements in certain circumstances.

In addition, the Group's costs of doing business may increase by amendments made to the Banking Act in relation to deposits covered by the UK Financial Services Compensation Scheme (the "**FSCS**"). The Group contributes to compensation schemes such as the FSCS in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers. Further provisions in respect of these costs are likely to be necessary in the future. The ultimate cost to the industry, which will also include the cost of any compensation payments made by the FSCS and, if necessary, the cost of meeting any shortfall after recoveries on the borrowings entered into by the FSCS, remains uncertain but may be significant and may have a material effect on the Group's business, results of operations or financial condition.

EU Directive 2014/59/EU establishing an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "**BRRD**"), entered into force on 2 July 2014 and in the UK, the Banking Reform Act made provision for certain aspects of the "bail-in" power. Under the "bail-in power", before insolvency proceedings, regulators would have the power to impose losses on holders of regulatory capital securities, senior bondholders and/or other creditors while potentially leaving untouched certain other classes of excluded creditors; generally losses are to be taken in accordance with the priority of claims under normal insolvency proceedings. Bail-in is expected to apply to all of the Group's unsecured senior and subordinated debt instruments with a remaining maturity of greater than seven days. The stated aim of the BRRD is to provide authorities designated by EU member states to apply the resolution tools and exercise the resolution powers set forth in the BRRD (the "**resolution authorities**") with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. The powers granted to resolution authorities under the BRRD include, but are not limited to: (i) a "write-down and conversion power" relating to Tier 1 and Tier 2 capital instruments and (ii) a "bail-in" power relating to eligible liabilities (including the capital instruments and senior debt securities issued by the Group). Such powers give resolution authorities the ability to write-down or write-off all or a portion



of the claims of certain unsecured creditors of a failing institution or group and/or to convert certain debt claims into another security, including ordinary shares of the surviving group entity, if any. Such resulting ordinary shares may be subject to severe dilution, transfer for no consideration, write-down or write-off. Such powers were implemented in the UK with effect from 1 January 2015.

The conditions for use of the bail-in power are, in summary, that (i) the regulator determines that the bank is failing or likely to fail; (ii) having regard to timing and other relevant circumstances, it is not reasonably likely that (ignoring the stabilisation powers) action will be taken by or in respect of the bank to avoid the failure of the bank; (iii) the relevant UK resolution authority determines that it is necessary having regard to the public interest to exercise the bail-in power in the advancement of one of the statutory objectives of resolution and (iv) one or more of those objectives would not be met to the same extent by the winding up of the bank. The Banking Act and secondary legislation made thereunder provides certain other limited safeguards for creditors in specific circumstances. The “no creditor worse off” safeguard contained in the Banking Act may not apply in relation to an application of the write-down and conversion power in circumstances where a stabilisation power is not also used; holders of debt instruments which are subject to the power may, however, have ordinary shares transferred to or issued to them by way of compensation. The exercise of mandatory write-down and conversion power under the Banking Act or any suggestion of such exercise could, therefore, materially adversely affect the rights of the holders of equity and debt securities and the price or value of their investment and/or the ability of the Group to satisfy its obligations under such debt securities.

In addition to the provisions described above, it is possible that the exercise of other powers under the Banking Act to resolve failing banks in the UK and give the authorities powers to amend the terms of contracts (for example, varying the maturity of a debt instrument) and to override events of default or termination rights that might be invoked as a result of the exercise of the resolution powers could have a material adverse effect on the rights of holders of the equity and debt securities issued by the Group, including through a material adverse effect on the price of such securities. The Banking Act also gives the Bank of England the power to override, vary or impose contractual obligations between a UK bank, its holding company and its group undertakings for reasonable consideration, in order to enable any transferee or successor bank to operate effectively. There is also power for HM 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.

The determination that securities and other obligations issued by the Group will be subject to write-down, conversion or bail-in is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Group’s control. This determination will also be made by the relevant UK resolution authority and there may be many factors, including factors not directly related to the bank or the Group, which could result in such a determination. Because of this inherent uncertainty and given that both BRRD and the relevant provisions of the Banking Act remain untested in practice, it will be difficult to predict when, if at all, the exercise of a bail-in power may occur which would result in a principal write-off or conversion to other securities, including the ordinary shares of the Company. Moreover, as the criteria that the relevant UK resolution authority will be obliged to consider in exercising any bail-in power provide it with considerable discretion, holders of the securities issued by the Group may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such power and consequently its potential effect on the Group and the securities issued by the Group. Potential investors in the securities issued by the Group should consider the risk that a holder may lose all of its investment, including the principal amount plus any accrued interest, if such statutory loss absorption measures are acted upon. The BRRD and applicable state aid rules provide that, other than in certain limited circumstances set out in the BRRD, extraordinary governmental financial support will only be available to the Group as a last resort once the write down and conversion powers and resolution tools referred to above have been exploited to the maximum extent possible.

Holders of the Group's securities may have limited rights or no rights to challenge any decision of the relevant UK resolution authority to exercise the UK bail-in power or to have that decision reviewed by a judicial or administrative process or otherwise. Accordingly, trading behaviour in respect of such securities is not necessarily expected to follow the trading behaviour associated with other types of securities that are not subject to such recovery and resolution powers. Potential investors in securities issued by the Group should consider the risk that a holder of such securities may lose all of its investment, including (in the case of debt securities) the principal amount plus any accrued and unpaid interest, if such statutory loss absorption measures are acted upon or if that senior debt instrument may be converted into Lloyds Banking Group plc ordinary shares. Further, the introduction or amendment of such recovery and resolution powers, and/or any implication or anticipation that they may be used, may have a significant adverse effect on the market price of such securities, even if such powers are not used.

### **3.4 The Group faces risks associated with its compliance with a wide range of laws and regulations.**

The Group is exposed to various forms of legal and regulatory risk, including:

- (i) certain aspects of the Group's activities and business may be determined by the relevant authorities, the Financial Ombudsman Service (the "FOS") or the courts not to have been conducted in accordance with applicable laws or regulations, or, in the case of the FOS, with what is fair and reasonable in the Ombudsman's opinion;
- (ii) the possibility of alleged mis-selling of financial products or the mishandling of complaints related to the sale of such products by or attributed to a member of the Group, resulting in disciplinary action or requirements to amend sales processes, withdraw products, or provide restitution to affected customers, all of which may require additional provisions;
- (iii) compliance with a new PRA and FCA whistleblowing regime, by 7 September 2016, including rules which require certain deposit-holding entities to appoint a senior manager under the SMCR as a Whistleblowers' Champion. A Whistleblowers' Champion has been appointed who will be responsible for oversight of whistleblowing policies and an internal annual report on whistleblowing, as well as to implement various policies and procedures related to internal and external reporting, internal awareness, confidentiality and related areas;
- (iv) contractual and other obligations may either not be enforceable as intended or may be enforced against the Group in an adverse way;
- (v) the intellectual property of the Group (such as trade names) may not be adequately protected;
- (vi) the Group may be liable for damages to third parties harmed by the conduct of its business;
- (vii) the risk of regulatory proceedings and private litigation, arising out of regulatory investigations or otherwise (brought by individuals or groups of plaintiffs) in the UK and other jurisdictions;
- (viii) risks related to a new regulatory and reporting regime under the Modern Slavery Act 2015, which (a) consolidates existing criminal offences for slavery and trafficking and creates two new civil orders to allow courts to intervene before a crime has occurred, and (b) will require the Group to prepare and publish a statement each year, starting for the 2016 financial year, describing the steps being undertaken to ensure that slavery and human trafficking are not taking place in any of its supply chains and in any part of its own business; and
- (ix) the transfer of responsibility for regulating consumer credit from the OFT to the FCA. The FCA's approach to date has focused, and is expected to continue to focus, on higher risk groups, and the FCA has the ability to undertake its own enforcement actions. The FCA's consumer credit sourcebook ("CONC") is its basis for compliance and enforcement. Additionally, the Group is subject to the Consumer Credit Act 1974 (the "CCA"), which regulates a wide range

of credit agreements. If requirements under the CCA as to licensing of lenders or brokers or entering into and documenting a credit agreement are not, or have not been met, the relevant agreement may not be enforceable against the borrower.

Regulatory and legal actions pose a number of risks to the Group, including substantial monetary damages or fines, the amounts of which are difficult to predict and may exceed the amount of provisions set aside to cover such risks. In addition, including as a result of regulatory actions, the Group may be subject to other penalties and injunctive relief, civil or private litigation arising out of a regulatory investigation or otherwise, the potential for criminal prosecution in certain circumstances and regulatory restrictions on the Group's business, all of which can have a negative effect on the Group's reputation. Any of these risks could have an adverse impact on the Group's operations, financial condition, results of operations or prospects and the confidence of customers in the Group, as well as taking a significant amount of management time and resources away from the implementation of the Group's strategy.

The Group's operations also expose it to various forms of reputational impacts. Negative public opinion can result from the actual or perceived manner in which the Group conducts its business activities, from the Group's financial performance, the level of direct and indirect government support, actual or perceived practices in the banking and financial industry, or allegations of misconduct. Negative public opinion may adversely affect the Group's ability to keep and attract customers, which may result in a material adverse effect on the Group's financial condition, results of operations or prospects. Negative public opinion referenced in the media as "lack of trust" in banking can be impacted by actions of competitors across the industry as well as actions by the Group. Regaining the trust of customers and the public is a key objective of the Group.

The Group may settle litigation or regulatory proceedings prior to a final judgment or determination of liability to avoid the cost, management efforts or negative business, regulatory or reputational consequences of continuing to contest liability, even when the Group believes that it has no liability or when the potential consequences of failing to prevail would be disproportionate to the costs of settlement. Furthermore, the Group may, for similar reasons, reimburse counterparties for their losses even in situations where the Group does not believe that it is legally compelled to do so. Failure to manage these risks adequately could materially affect the Group, both financially and reputationally.

### **3.5 The Group faces risks associated with the high level of scrutiny of the treatment of customers by financial institutions from regulatory bodies, the media and politicians.**

The Group's operations, in particular related to its treatment of customers, are subject to supervision by the FCA and other regulatory authorities. In recent periods, the UK banking industry has been subject to heightened attention from these regulatory authorities, as well as the press and the UK Government. The FCA in particular continues to focus on conduct of business issues through its supervision activities and its establishment of a new Payment Systems Regulator. Other regulatory efforts include the implementation of the UK Mortgage Market Review ("MMR") in April 2014, which now requires lenders to obtain evidence of borrowers' income so as to ensure that they can afford a mortgage, including with respect to potential interest rate rises. The Bank of England is currently implementing limitations on the ability of lenders to provide high loan-to-income mortgages. Increased scrutiny or regulatory development in these areas could materially affect the Group's operation of its business and/or have a material adverse effect on the Group's business, results of operations or financial condition. Alongside these changes, the FCA may consider various adjustments to the MMR or other legislation in order to align it with the Mortgage Credit Directive 2014/17/EU ("MCD"), which came into force on 21 March 2016, including (i) introducing the European Standardised Information Sheet, which is a new product disclosure document to be provided to customers, (ii) requiring firms to calculate both an annual percentage rate of charge ("APRC") according to the method set out in the MCD as well as a second APRC for variable-rate mortgage

products, and (iii) widening the scope of UK mortgage regulation to include properties located across the EEA, as well as certain buy-to-let mortgages and second charge lending.

Additionally, the Group is subject to the Markets in Financial Instruments Directive (“**MiFID**”) and its various implementing measures, which together regulate the provision of “investment services and activities” in relation to a range of customer-related areas, including customer classification, conflicts of interest, client order handling, investment research and financial analysis, suitability and appropriateness, transparency obligations and transaction reporting. MiFID is in the process of being replaced by a revised directive (MiFID II) and a new regulation (Markets in Financial Instruments Regulation or “**MiFIR**”), which entered into force on 2 July 2014. The changes to MiFID include expanded supervisory powers that include the ability to ban specific products, services or practices. While the majority of the provisions of MiFID II and MiFIR and the implementing laws and regulations are currently scheduled to apply from 3 January 2018, the Group has commenced work to meet anticipated requirements. If the Group incurs substantial expenses associated with compliance, ongoing compliance imposes significant demands on the attention of management that result in other areas of the Group’s business not receiving sufficient management attention, or if particular products, services or practices are banned, the Group’s results of operations could be materially adversely affected.

The Group is also subject to European regulation on customer deposits. On 12 June 2014, the Deposit Guarantee Schemes Directive 2014/49/EU (the “**recast DGSD**”) was published in the Official Journal of the EU, which replaced Directive 94/19/EC on Deposit Guarantee Schemes. As required by the recast DGSD, the UK introduced a compliant deposit guarantee scheme (“**DGS**”) that:

- gives a preference in liquidation or resolution to deposits made by retail customers and SMEs over other senior creditors (including the holders of the Notes issued by the Bank);
- sets out the rights of eligible depositors (typically retail customers) to compensation, and repayment circumstances and procedures by the DGS, covering the unavailability of any deposit, up to aggregate deposits of €100,000;
- places obligations on credit institutions, in particular, requirements to provide specified information to depositors (and potential depositors) on their rights to compensation under the DGS; and
- sets out provisions on the financing of DGSs, including target funding levels and contribution amounts by credit institutions.

In addition, increasing regulatory scrutiny under the EU General Data Protection Regulation may limit the extent to which customer data can be used to support the Group achieving its strategic objectives.

**3.6 The financial impact of legal proceedings and regulatory risks might be material but is difficult to quantify. Amounts eventually paid may materially exceed the amount of provisions set aside to cover such risks, or existing provisions may need to be materially increased in response to changing circumstances, as has been the case in respect of payment protection insurance (“PPI”) redress payments.**

Where provisions have already been taken in published financial statements of the Group or results announcements for ongoing legal or regulatory matters, these have been recognised, in accordance with IAS 37 (“Provisions, Contingent Liabilities and Contingent Assets”), as the best estimate of the expenditure required to settle the obligation as at the reporting date. Such estimates are inherently uncertain and it is possible that the eventual outcomes may differ materially from current estimates, resulting in future increases or decreases to the required provisions, or actual losses that exceed or fall short of the provisions taken.

The Group increased provisions for expected PPI costs by a further £1.4 billion in the first six months of 2015 and by £2.6 billion in the second half of 2015. This brings the total amount provided for at the end of 2015 to £16.0 billion, of which £3.5 billion remains unutilised with approximately £3.0 billion relating to reactive complaints and administration costs. The unutilised provision comprises elements to cover the Past Business Review (“PBR”), remediation activity and future reactive complaints. Provisions have not been taken where no obligation (as defined in IAS 37 (“Provisions, Contingent Liabilities and Contingent Assets”)) has been established, whether associated with a known or potential future litigation or regulatory matter. Accordingly, an adverse decision in any such matters could result in significant losses to the Group which have not been provided for. Such losses would have an adverse impact on the Group’s financial condition and operations.

In November 2014, the Supreme Court ruled in *Plevin v Paragon Personal Finance Limited [2014] UKSC 61* (“Plevin”) that failure to disclose to a customer a “high” commission payment on a single premium PPI policy sold with a consumer credit agreement created an unfair relationship between the lender and the borrower under s140 of the Consumer Credit Act 1974. It did not define a tipping point above which commission was deemed “high”. The disclosure of commission was not a requirement of the FSA’s (now FCA’s) Insurance: Conduct of Business sourcebook rules for the sale of general insurance (including PPI). The industry, the FCA and the FOS are considering the broader impacts of this decision but there is no current definitive view. Permission to appeal the redress outcome in the Plevin case was refused by the Court of Appeal in July 2015 and by the President of the Family Division in November 2015.

On 2 October 2015, the FCA announced a decision to consult on the introduction of a deadline by which consumers would need to make their PPI complaints or lose their right to have them assessed. The deadline would fall two years from the date the proposed rules come into force, which is not anticipated to be before spring 2016. The FCA’s announcement also includes a decision to consult on rules and guidance about how firms should handle PPI complaints fairly in light of the Plevin judgement discussed above. The proposed deadline would also apply to the handling of these complaints. It is anticipated that if the proposed introduction of a deadline takes place, it could encourage eligible consumers to bring their claims early and result in a greater number of potential complaints presented to the Group than would have otherwise been expected during such period in the absence of a deadline for having complaints assessed, which could result in increased remediation and administrative costs in relation to such claims. The consultation was published on 26 November 2015 and was open until 26 February 2016. Thereafter the FCA will consider the responses received before making final rules. The deadline proposed by the FCA and the outcome of its consultation on the impact of the Plevin case on the handling of PPI complaints and remediation could have a material adverse effect on the Group’s reputation, business, financial condition, results of operations and prospects.

## 4 Business and economic risks

### 4.1 The Group’s businesses are subject to inherent and indirect risks arising from general macro-economic conditions in the UK, the Eurozone and globally, and the instability of the financial markets.

The Group’s businesses are subject to inherent and indirect risks arising from general and sector-specific economic conditions in the markets in which it operates, particularly the UK, where the Group’s earnings are predominantly generated and the Group’s operations are increasingly concentrated following the strategic reduction of its international presence. The Group may have credit exposure in countries outside the UK even if it does not have a presence in such countries. Although economic indicators in the UK have performed steadily in recent quarters, any significant macro-economic deterioration in the UK and/or other economies in which the Group operates or has legacy business, could have a material adverse effect on the results of operations, financial condition or

prospects of the Group, as could political uncertainty within the UK, whether caused by the EU referendum, continuing EU membership, or otherwise. Additionally, the profitability of the Group's businesses could be affected by market factors such as unemployment, which has fallen to pre-crisis levels, however this trend could reverse. Lack of continued growth, or reduced economic growth, in the UK, changes in interest rates (and the timing, quantum and pace of those changes as well as the possibility of further reductions in interest rates (including negative interest rates)), reduced corporate profitability, reduced personal income levels, fluctuations in commodity prices, changes in foreign exchange rates, reduced UK Government and/or consumer expenditure, slowdown in global economic growth (which includes existing concerns over growth and the macroeconomic environment in China and emerging markets) and the general macroeconomic environment, increased personal or corporate and SME insolvency rates, increased tenant defaults or increased interest rates may reduce borrowers' ability to repay loans and may cause prices of residential or commercial real estate or other asset prices to fall further, thereby reducing the collateral value on many of the Group's assets. These, in turn, could cause increased impairments and/or fair value adjustments.

In addition to the possibility of macro-economic deterioration, particularly in the Eurozone, any increase of financial market instability including any increase in credit spreads may represent further risk to the Group's business. The outlook for global growth remains uncertain due to issues such as geopolitical tensions (i.e. the Syrian crisis, fallout from Ukraine/Russia, Middle Eastern instability and any impact from the U.S. presidential election), the slow-down of growth rates in Asia, China, and in emerging markets generally. The Group has significant exposures, particularly by way of loans, in a number of overseas jurisdictions, notably Europe, the U.S. and beyond, and is therefore subject to various risks relating to the stability of these financial markets. The global financial system has suffered considerable turbulence and uncertainty in recent years and, despite recent growth in the UK and U.S., the outlook for the global economy over the near to medium term remains challenging.

In the Eurozone, the pace of economic recovery remains slow following the global recession. Relatively weak growth and deflationary pressures, together with high levels of private and public debt, outstanding weaknesses in the financial sector and reform fatigue, also remain a concern. The possibility of prolonged low growth in the Eurozone could stall the UK's own economic recovery, given the extensive economic and financial linkages between the UK and the Eurozone. The UK's trade and current account balances with the Eurozone would be likely to deteriorate further, negatively affecting UK growth and the possibility of the UK leaving the EU could have a further negative impact. The latest Greek bailout agreement has reduced the risk of Greece's exit from the Eurozone in the near term but has not solved longer term concerns around debt level sustainability.

In addition, developing macro-economic uncertainty in markets in China and throughout Asia, in particular the currency exchange rate intervention and market volatility seen in China, and other emerging markets could pose threats to global economic recovery. Financial markets may experience renewed periods of volatility, especially given the recent instability in oil and other commodity prices impacting corporates and emerging markets dependent on the oil and gas sector and potentially triggering deflation or stagflation, with a return of a risk of contagion, which may place new strains on funding markets. Further, the slowdown in emerging markets could impact corporate debt levels more widely, and external debt levels are higher now in emerging markets than before the global financial crisis, which could lead to higher levels of defaults and non-performing loans, in particular in an environment of rising interest rates.

The Group has credit exposure to SMEs and corporates, financial institutions, sovereigns and securities which may have material direct and indirect exposures in the Eurozone countries and other international countries. With the exception of the Group's retail lending exposures in the Republic of Ireland, its direct credit exposure to the peripheral Eurozone countries through sovereign and private sector exposure is relatively small and has been managed steadily downward since 2008.

Nonetheless, any default on the sovereign debt of these countries and the resulting impact on other Eurozone countries, including the potential that some countries could leave the Eurozone, could have a material adverse effect on the Group's business. The exit of a member state from the European Monetary Union (the "EMU") could result in deterioration in the economic and financial environment in the UK and Eurozone that would materially affect the capital and the funding position of participants in the banking industry, including the Group. This could also give rise to operational disruptions to the Group's business.

Examples of indirect risks to the Group associated with the Eurozone which have been identified are: European banking groups with lending and other exposures to certain Eurozone countries; corporate customers with operations or significant trade in certain European jurisdictions; major travel operators and airlines known to operate in certain Eurozone countries; and international banks with custodian operations based in certain European locations. Adverse developments relating to these sectors, or banking groups could negatively impact the Group's business, results of operations or financial condition, by increasing the risk of defaults.

The risk of the UK leaving the EU has risen with the UK Government's commitment to holding a referendum by the end of 2017 on continuing EU membership (scheduled for 23 June 2016). The effects on the UK and European and global economy of the exit of one or more EU member states from the EMU, or the EU, or the redenomination of financial instruments from the Euro to a different currency, are impossible to predict and protect fully against in view of (i) economic and financial instability in the Eurozone and potentially in the UK; (ii) the severity of the recent global financial crisis; (iii) difficulties in predicting whether the current signs of recovery will be sustained and at what rate; (iv) the uncertain legal position, and (v) the fact that many of the risks related to the business are totally, or in part, outside the control of the Group. However, if any such events were to occur, they may result in (a) significant market dislocation, (b) heightened counterparty risk, (c) an adverse effect on the management of market risk and, in particular, asset and liability management due, in part, to redenomination of financial assets and liabilities, (d) a material adverse effect on the results of operations, financial condition or prospects of the Group, (e) an indirect risk of counterparty failure, or (f) further political uncertainty in the UK. Any adverse changes affecting the economies of the countries in which the Group has significant direct and indirect credit exposures, including those discussed above and any further deterioration in global macro-economic conditions, could have a material adverse effect on the Group's results of operations, financial condition or prospects.

Furthermore, any uncertainty in the UK arising from the risk of the UK leaving the EU could be exacerbated should the possibility of a further Scottish independence referendum be resurrected. There is no guarantee that the EU referendum debate will not cause a follow-up Scottish referendum to be considered, causing further uncertainty and risks to the Group.

#### **4.2 Any tightening of monetary policy in jurisdictions in which the Group operates could affect the financial condition of its customers, clients and counterparties, including governments and other financial institutions, which could in turn adversely affect the Group's results of operations.**

Quantitative easing measures implemented by major central banks, adopted alongside record low interest rates to support recovery from the global financial crisis, have arguably helped loosen financial conditions and reduce borrowing costs. These financial conditions may have led to the emergence of asset and liquidity bubbles that are vulnerable to rapid price corrections as financial conditions tighten, causing losses to investors and increasing the risk of default on the Group's exposure to these sectors.

Whilst the U.S. Federal Reserve increased its policy rates in December 2015, they may seek to keep rates on hold, or even reverse the increase. It remains unclear whether other major central banks, including the Bank of England, will begin to raise their policy interest rates in the near term. Given the current disinflationary global environment and uncertain outlook for emerging market growth, it is

possible that policy interest rate increases may not occur and some central banks, such as the ECB, may seek to loosen policy further.

Although uncertainty remains about the timing of any increases by central banks, it is possible that any increase in interest rates may lead to increasing levels of defaults by the Group's customers. Monetary policy has been highly accommodative in recent years, including the Bank of England and HM Treasury "Funding for Lending" scheme (the "**Funding for Lending Scheme**") and the "Help to Buy" scheme (the "**Help to Buy Scheme**") in the UK, which have helped to support demand at a time of very pronounced fiscal tightening and balance sheet repair. Such a long period of stimulus has increased uncertainty over the impact of its reduction, including the possibility of a withdrawal of such programmes which could lead to generally weaker than expected growth, or even contracting GDP, reduced business and consumer confidence, higher levels of unemployment or underemployment, adverse changes to levels of inflation, potentially higher interest rates and falling property prices in the markets in which the Group operates, and consequently to an increase in delinquency rates and default rates among its customers. Similar risks result from the exceptionally low level of inflation in developed economies, which in Europe particularly could deteriorate into sustained deflation if policy measures prove ineffective. Reduced monetary stimulus and the actions and commercial soundness of other financial institutions have the potential to impact market liquidity. The adverse impact on the credit quality of the Group's customers and counterparties, coupled with a decline in collateral values, could lead to a reduction in recoverability and value of the Group's assets and higher levels of impairment allowances, which could have an adverse effect on the Group's operations, financial condition or prospects. The Group has credit exposure to SMEs and corporate financial institutions, sovereigns and securities which may have material direct and indirect exposures in the Eurozone countries. Any default on the sovereign debt of these countries and the resulting impact on other Eurozone countries, including the potential that some countries could leave the Eurozone, could have a material adverse effect on the Group's business.

Accommodative credit conditions in some areas since the global financial crisis have led to a build-up of debt, with private sector corporate debt in emerging markets growing particularly fast. Emerging market currency depreciation and the rise in U.S. interest rates may result in increasing difficulties in servicing this higher debt, especially debt that is denominated in U.S. dollars, possibly leading to debt defaults, which may negatively affect economic growth in emerging markets or globally.

**4.3 The Group's businesses are inherently subject to the risk of market fluctuations, which could have a material adverse effect on the results of operations, financial condition or prospects of the Group.**

The Group's businesses are inherently subject to risks in financial markets and in the wider economy, including changes in, and increased volatility of, interest rates, inflation rates, credit spreads, foreign exchange rates, commodity, equity, bond and property prices and the risk that its customers act in a manner which is inconsistent with the Group's business, pricing and hedging assumptions. Movements in these markets will continue to have a significant impact on the Group in a number of key areas.

For example, adverse market movements have had and would have an adverse effect, which could be material, upon the financial condition of the defined benefit pension schemes of the Group. The schemes' main exposures are to real rate risk and credit spread risk. These risks arise from two main sources: the "AA" corporate bond liability discount rate and asset holdings.

Banking and trading activities that are undertaken by the Group are also subject to market movements, including interest rate risk, foreign exchange risk, inflation risk and credit spread risk. For example, changes in interest rate levels, interbank margins over official rates, yield curves and spreads affect the interest rate margin realised between lending and borrowing costs. The potential for future volatility and margin changes remains. Competitive pressures on fixed rates or product terms in existing loans and deposits may restrict the Group in its ability to change interest rates applying to customers in



response to changes in official and wholesale market rates. The Group will continue to face interest rate margin compression in the prolonged low interest rate environment and the yield on its structural hedge will reduce as the amortising hedge is reinvested at lower rates.

The insurance business of the Group is exposed indirectly to equity and credit markets through the value of future management charges on policyholder funds. Credit spread risk within insurance primarily arises from bonds and loans used to back annuities. The performance of the investment markets will thus have a direct impact upon the profit from investment contracts and on the Insurance value in force (“VIF”) and the Group’s operating results, financial condition or prospects.

Changes in foreign exchange rates, including with respect to the U.S. dollar and the Euro, affect the Group’s financial position and/or forecasted earnings. Foreign exchange risk is actively managed by the Group within a low risk appetite, minimising the Group’s exposure to exchange rate fluctuations.

**4.4 Market conditions have resulted, and are expected to result in the future, in material changes to the estimated fair values of financial assets of the Group. Negative fair value adjustments have had, and may continue to have in the future, an adverse effect on the Group’s results of operations, financial condition or prospects.**

The Group has exposures to securities, derivatives and other investments, including asset-backed securities, structured investments and private equity investments that are recorded by the Group at fair value. These have been and may be subject to further negative fair value adjustments, particularly in view of the volatile global markets and challenging economic environment. Although credit value adjustments, debit value adjustments and funding value adjustments are actively managed within the Group, in stressed market conditions adverse movements in these could result in a material charge to the Group’s profit and loss account.

In addition, in volatile markets, hedging and other risk management strategies (including collateralisation and purchase of CDS) may not be as effective as they are in normal market conditions, due in part to the decreasing credit quality of hedge counterparties. Asset valuations in future periods, reflecting prevailing market conditions, may result in further negative changes in the fair values of the Group’s financial assets and these may also translate into increased impairment charges.

In addition, the value ultimately realised by the Group for its securities and other investments may be lower than their current fair value. Any of these factors could require the Group to record further negative fair value adjustments, which may have a material adverse effect on its operating results, financial condition or prospects. Material losses from the fair value of financial assets will also have an adverse impact on the Group’s capital ratios. The Group has, in prior years, made asset redesignations as permitted by amendments to IAS 39 (Financial Instruments: “Recognition and Measurement”).

The effect of such redesignations has been, and would be, that any effect on the income statement of movements in the fair value of such redesignated assets that have occurred since 1 July 2008, in the case of assets redesignated prior to 1 November 2008, or which may occur in the future, may not be recognised until such time as the assets become impaired or are disposed of. In addition, in circumstances where fair values are determined using financial valuation models, the Group’s valuation methodologies may require it to make assumptions, judgements and estimates in order to establish fair value. These valuation models are complex and the assumptions used are difficult to make and are inherently uncertain, particularly in light of the uncertainty as to the strength of any global economic recovery and continuing downside risks and during periods of market volatility and illiquidity, and any consequential impairments or write-downs could have a material adverse effect on the Group’s operating results, capital ratios, financial condition or prospects.

**4.5 The Group's businesses are conducted in competitive environments, with increased competition scrutiny, and the Group's financial performance depends upon management's ability to respond effectively to competitive pressures.**

The markets for UK financial services, and the other markets within which the Group operates, are competitive, and management expects such competition to continue or intensify in response to competitor behaviour, new entrants to the market (including a number of new retail banks as well as non-traditional financial services providers), consumer demand, technological changes such as the growth of digital banking, and the impact of regulatory actions and other factors. The Group's financial performance and its ability to maintain existing or capture additional market share depends significantly upon the competitive environment and management's response thereto.

Notwithstanding this increase in competition described above, intervention by the UK Government competition authorities and/or European regulatory bodies and/or governments of other countries in which the Group operates, including in response to any perceived lack of competition within these markets by such regulatory authorities, may significantly impact the competitive position of the Group relative to its international competitors, which may be subject to different forms of government intervention, thus potentially putting the Group at a competitive disadvantage.

The Competition and Markets Authority (the "CMA") launched a full market investigation into competition in the SME banking and personal current account ("PCA") markets in November 2014. The CMA announced its provisional findings on 22 October 2015, stating that there is a combination of features of the markets for PCAs, business current accounts ("BCAs") and SME lending that give rise to adverse effects on competition, relating to low levels of customer engagement, barriers to accessing and assessing information, barriers to switching and incumbency advantages, and linkages between PCAs, BCAs and SME lending products. Since then, the CMA has consulted with all interested parties on its provisional findings and possible remedies to address the adverse effects on competition identified. On 17 May 2016, the CMA published its provisional decision on remedies. These focus on measures to increase customer engagement, price transparency and product comparability; improve switching for both PCA and SME banking customers; and introduce a monthly maximum charge for PCA overdraft users. The CMA will consult on this provisional decision and will publish its final report by 12 August 2016. This process, combined with recent political debate on the reform of the UK banking markets, other current or potential competition reviews, the payment systems regulator and the FCA statutory objective to promote competition, along with concurrent competition powers, may lead to proposals or initiatives to reduce regulators' competition concerns, and greater UK Government and regulatory scrutiny in the future that may impact the Group. Additionally, the Group may be affected by changes in regulatory oversight following the pension review recommended by the Department for Work and Pensions. For more information on the Group's regulatory environment, see "*Regulation — Other Bodies Impacting the Regulatory Regime — The Bank of England and HM Treasury*".

The internet and mobile technologies are changing customer behaviour and the competitive environment. There has been a steep rise in customer use of mobile banking over the last three years. The Group faces competition from established providers of financial services as well as the threat of competition from banking business developed by non-financial companies, including technology companies with strong brand recognition.

As a result of any restructuring or evolution in the market, there may emerge one or more new viable competitors in the UK banking market or a material strengthening of one or more of the Group's existing competitors in that market. Any of these factors or a combination thereof could result in a significant reduction in the profit of the Group.

## 5 Operational risks

### 5.1 The Group could fail to attract or retain senior management or other key employees.

The Group's success depends on its ability to attract, retain and develop high calibre talent. Achievement of this aim may be impacted by the introduction of the SMCR, which came into force on 7 March 2016. The SMCR includes a criminal offence of reckless misconduct, a statutory "duty of responsibility" to take reasonable steps to prevent regulatory breaches occurring or continuing in the area of the firm for which they have responsibility and increasing use of senior management attestations. In addition, the proposed limits on variable pay and "clawback" requirements which were introduced pursuant to CRD IV in the UK may put the Group at a competitive disadvantage as compared to companies who are not subject to such restrictions. In addition, macro-economic conditions and negative media attention on the financial services industry may adversely impact employee retention, colleague sentiment and engagement.

Failure to attract and retain senior management and key employees could have a material adverse effect on the Group's results of operations, financial condition or prospects.

### 5.2 Operational risks such as weaknesses or failures in the Group's processes, systems and security and risks due to reliance on third party services and products could materially adversely affect the Group's operations, financial condition or prospects, and could result in the reputational damage of the Group.

Operational risks, through inadequate or failed processes, systems (including financial reporting and risk monitoring processes) or security, or from people-related or external events, including the risk of fraud and other criminal acts carried out against the Group, are present in the Group's businesses. The Group's businesses are dependent on processing and reporting accurately and efficiently a high volume of complex transactions across numerous and diverse products and services, in different currencies and subject to a number of different legal and regulatory regimes. Any weakness or errors in these processes, systems or security could have an adverse effect on the Group's results, reporting of such results, and on the ability to deliver appropriate customer outcomes during the affected period which may lead to an increase in complaints and damage to the reputation of the Group.

Specifically, failure to develop, deliver or maintain effective IT solutions could have a material adverse impact on customer service. Any prolonged loss of service availability could damage the Group's ability to service its customers, could result in compensation costs and could cause long-term damage to the Group's business and brand. Furthermore, failure to protect the Group's operations from increasingly sophisticated cyber-attacks could result in the loss and/or corruption of customer data or other sensitive information. The resilience of the Group's IT infrastructure is of paramount importance to the Group; accordingly, significant investment has been, and will continue to be, made in IT infrastructure and supporting capabilities to ensure its resilience and subsequently the delivery of services to customers. The Group continues to invest in IT and information security control environments, including activity on user access management and records management to address evolving threats. The Group maintains contingency plans for a range of Group specific and industry wide IT and breach of security scenarios. The Board has defined a "Cyber Risk Appetite" and is supporting investment to help mitigate this risk.

The Group adopts a risk based approach to mitigate the external fraud risks it faces, reflecting the current and emerging external fraud risks within the market. This approach drives an annual programme of enhancements to the Group's technology, process and people related controls, with an emphasis on preventative controls supported by real time detective controls wherever feasible. Group-wide policies and operational control frameworks are maintained and designed to provide customer confidence, protect the Group's commercial interests and reputation, comply with legal requirements and meet regulatory expectations. The Group's fraud awareness programme remains a key component of its fraud control environment. Although the Group devotes significant resources to maintain and

regularly update its processes and systems that are designed to protect the security of the Group's systems, software, networks and other technology assets, there is no assurance that all of the Group's security measures will provide absolute security. Any damage to the Group's reputation (including to customer confidence) arising from actual or perceived inadequacies, weaknesses or failures in Group systems, processes or security could have a material adverse effect on the Group's results of operations, financial condition or prospects.

Third parties upon which the Group relies for important products and services could also be sources of operational risk, specifically with regard to security breaches affecting such parties. Many of the operational risks described above also apply when the Group relies on outside suppliers or vendors to provide key components of its business infrastructure. The Group may be required to take steps to protect the integrity of its operational systems, thereby increasing its operational costs. Additionally, any problems caused by these third parties, including as a result of their not providing the Group their services for any reason, their performing their services poorly, or employee misconduct, could adversely affect the Group's ability to deliver products and services to customers and otherwise to conduct business. Replacing these third party vendors could also entail significant delays and expense.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either the Company or any relevant company within the Group will be unable to comply with its obligations as a company with securities admitted to the Official List or as a supervised firm regulated by the FCA and the PRA.

### **5.3 The Group's business is subject to risks related to cyber crime.**

The Group relies on the effectiveness of its Group Information and cyber security policy and associated procedures, infrastructure and capabilities to protect the confidentiality, integrity and availability of information held on its computer systems, networks and mobile devices and on the computer systems, networks and mobile devices of third parties on whom the Group relies. The Group also takes protective measures to protect itself from attacks designed to prevent the delivery of critical business processes to its customers. Despite preventative measures, the Group's computer systems, software, networks and mobile devices, and those of third parties on whom the Group relies, may be vulnerable to cyber-attacks, sabotage, unauthorised access, computer viruses, worms or other malicious code, and other events that have a security impact. Such an event may impact the confidentiality of the Group's or its clients', employees' or counterparties' information or the availability of services to customers. As a result, the Group could experience material financial loss, loss of competitive position, regulatory actions, breach of client contracts, reputational harm or legal liability, which, in turn, could cause a decline in the Group's earnings. The Group may be required to spend additional resources to modify its protective measures or to investigate and remediate vulnerabilities or other exposures, and it may be subject to litigation and financial losses that are either not insured against fully or not fully covered through any insurance that it maintains. Any failure in the Group's cyber security policies, procedures or capabilities, or cyber-related crime, could lead to the Group suffering reputational damage and a loss of clients and could have a material adverse effect on the Group's results of operations, financial condition or prospects. The Group is committed to continued participation in industry-wide activity relating to cyber risk. This includes working with relevant regulatory and government departments to evaluate the approach the Group is taking to mitigate this risk.

### **5.4 Terrorist acts, other acts of war, geopolitical events, pandemics or other such events could have a material adverse effect on the Group's results of operations, financial condition or prospects.**

Terrorist acts, other acts of war or hostility, geopolitical events, pandemics or other such events and responses to those acts/events may create economic and political uncertainties, which could have a material adverse effect on UK and international macro-economic conditions generally, and more

specifically on the Group's results of operations, financial condition or prospects in ways that cannot necessarily be predicted.

**5.5 TSB servicing requirements may adversely impact the Group.**

As part of the divestment of TSB, the Group provides certain services to TSB which may result in reputational and financial exposure for the Group. For example, TSB relies on the Group for the provision of its IT systems and supporting infrastructure. The risks associated with provision of services to TSB include managing conflict of interests, the confidentiality of data, and competition risks as a part of providing services to a competitor bank. In addition the Group has made financial commitments to support any planned move by TSB to an alternative provider of IT systems and infrastructure.

**5.6 The Group must comply with anti-money laundering, counter terrorist financing, anti-bribery and sanctions regulations, and a failure to prevent or detect any illegal or improper activities fully or on a timely basis could expose it to liability.**

The Group is required to comply with applicable anti-money laundering, anti-terrorism, sanctions, anti-bribery and other laws and regulations in the jurisdictions in which it operates. These laws and regulations require the Group, amongst other things, to adopt and enforce "know-your-customer" policies and procedures and to report suspicions of money laundering and terrorist financing, and in some countries specific transactions to the applicable regulatory authorities. These laws and regulations have become increasingly complex and detailed, require improved systems and sophisticated monitoring and compliance personnel, and have become the subject of enhanced government and regulatory supervision.

The Group has adopted policies and enhanced its procedures aimed at detecting and preventing the use of its banking network and services for money laundering, financing terrorism, and related activities, applying systems and controls on a risk-based approach throughout its businesses and operations. These controls, however, may not completely eliminate instances where third parties seek to use the Group's products and services to engage in illegal or improper activities. In addition, while the Group reviews its relevant counterparties' internal policies and procedures with respect to such matters, the Group, to a large degree, relies upon its relevant counterparties to maintain and properly apply their own appropriate anti-money laundering procedures. Such measures, procedures and compliance may not be completely effective in preventing third parties from using the Group (and its relevant counterparties) as a conduit for money laundering and terrorist financing (including illegal cash operations) without the Group's (and its relevant counterparties') knowledge. If the Group is associated with, or even accused of being associated with, or becomes a party to, money laundering or terrorist financing, then the Group's reputation could suffer and/or it could become subject to fines, sanctions and/or legal enforcement (including being added to any "black lists" that would prohibit certain parties from engaging in transactions with the Group), any one of which could have a material adverse effect on the Group's operating results, financial condition and prospects.

To the extent that the Group fails to comply fully with applicable laws and regulations, the relevant government and regulatory agencies to which it reports have the power and authority to impose fines and other penalties on the Group, including the revocation of licences. In addition, the Group's business and reputation could suffer if customers use its banking network for money laundering, financing terrorism, or other illegal or improper purposes.

**5.7 The Group may fail to execute its ongoing strategic change initiatives, and the expected benefits of such initiatives may not be achieved at the time or to the extent expected, or at all.**

The Group has a number of strategic initiatives which it pursues on an ongoing basis. For example, the Group has a programme for reducing costs, improving efficiency and financial performance, and

enhancing the overall customer experience by simplifying and reshaping the Group's businesses. As the Group continues to deliver this strategy there is considerable focus on digitisation and ensuring the Group meets customer demands through digital and mobile platforms. This approach will support the Group in achieving its cost targets.

The successful completion of the programme and the Group's other strategic initiatives requires ongoing subjective and complex judgements, including forecasts of economic conditions in various parts of the world, and can be subject to significant execution risks. For example, the Group's ability to execute its strategic initiatives successfully may be adversely impacted by a significant global macroeconomic downturn, legacy issues, limitations in the Group's management or operational capacity or significant and unexpected regulatory change in countries in which the Group operates.

Failure to execute the Group's strategic initiatives successfully could have an adverse effect on the Group's ability to achieve the stated targets and other expected benefits of these initiatives, and there is also a risk that the costs associated with implementing such initiatives may be higher than the financial benefits expected to be achieved, which could materially adversely impact the Group's operations, financial condition and prospects.

#### **5.8 The Group could be exposed to industrial action and increased labour costs resulting from a lack of agreement with trade unions.**

Within the Group, there are currently two recognised unions for the purposes of collective bargaining. Combined, these collective bargaining arrangements apply to around 95 per cent. of the Group's total workforce.

Where the Group or its employees or their unions seek to change any of their contractual terms, a consultation and negotiation process is undertaken. Such a process could potentially lead to increased labour costs or, in the event that any such negotiations were to be unsuccessful and result in formal industrial action, the Group could experience a work stoppage that could materially adversely impact its business, financial condition and results of operations.

## **6 Financial soundness related risks**

### **6.1 The Group's businesses are subject to inherent risks concerning liquidity and funding, particularly if the availability of traditional sources of funding such as retail deposits or the access to wholesale funding markets becomes more limited.**

Liquidity and funding continues to remain a key area of focus for the Group and the industry as a whole. Like all major banks, the Group is dependent on confidence in the short and long-term wholesale funding markets. Should the Group be unable to continue to source sustainable funding, its ability to fund its financial obligations could be impacted.

The Group's profitability or solvency could be adversely affected if access to liquidity and funding is constrained or made more expensive for a prolonged period of time. Under extreme and unforeseen circumstances, such as the closure of financial markets and uncertainty as to the ability of a significant number of firms to ensure they can meet their liabilities as they fall due, the Group's ability to meet its financial obligations as they fall due or to fulfil its commitments to lend could be impacted through limited access to liquidity (including government and central bank facilities). In such extreme circumstances, the Group may not be in a position to continue to operate without additional funding support, which it may be unable to access. These factors may have a material adverse effect on the Group's solvency, including its ability to meet its regulatory minimum liquidity requirements. These risks can be exacerbated by operational factors such as an over-reliance on a particular source of funding or changes in credit ratings, as well as market-wide phenomena such as market dislocation, regulatory change or major disasters.

In addition, corporate and institutional counterparties may seek to reduce aggregate credit exposures to the Group (or to all banks) which could increase the Group's cost of funding and limit its access to liquidity. The funding structure employed by the Group may also prove to be inefficient, thus giving rise to a level of funding cost where the cumulative costs are not sustainable over the longer term. The funding needs of the Group may increase and such increases may be material to the Group's operating results, financial condition or prospects. The Group relies on customer savings and transmission balances, as well as ongoing access to the global wholesale funding markets to meet its funding needs. The ability of the Group to gain access to wholesale and retail funding sources on satisfactory economic terms is subject to a number of factors outside its control, such as liquidity constraints, general market conditions, regulatory requirements, the encouraged or mandated repatriation of deposits by foreign wholesale or central bank depositors and the level of confidence in the UK banking system, any of which could have a material adverse effect on the Group's profitability or, in the longer term and under extreme circumstances, its ability to meet its financial obligations as they fall due.

Medium-term growth in the Group's lending activities will rely, in part, on the availability of retail deposit funding on appropriate terms, for which there is increasing competition. For more information see *"Risk Factors — Business and economic risks — The Group's businesses are conducted in competitive environments, with increased competition scrutiny, and the Group's financial performance depends upon management's ability to respond effectively to competitive pressures"*. This reliance has increased recently given the Group's reduction in wholesale funding. The ongoing availability of retail deposit funding on appropriate terms is dependent on a variety of factors outside the Group's control, such as general macro-economic conditions and market volatility, the confidence of retail depositors in the economy, the financial services industry and the Group, as well as the availability and extent of deposit guarantees. Increases in the cost of retail deposit funding will impact on the Group's margins and affect profit, and a lack of availability of retail deposit funding could have a material adverse effect on the Group's future growth.

Any loss in consumer confidence in the Group could significantly increase the amount of retail deposit withdrawals in a short period of time. Should the Group experience an unusually high and unforeseen level of withdrawals, in such extreme circumstances the Group may not be in a position to continue to operate without additional funding support, which it may be unable to access, which could have a material adverse effect on the Group's solvency.

If the wholesale funding markets were to suffer stress or central bank provision of liquidity to the financial markets is abruptly curtailed, or the Group's credit ratings are downgraded, it is likely that wholesale funding will prove more difficult to obtain. Such increased refinancing risk, in isolation or in concert with the related liquidity risks noted above, could have a material adverse effect on the Group's profitability and, in the longer term under extreme and unforeseen circumstances, its ability to meet its financial obligations as they fall due.

**6.2 The Group's borrowing costs and access to the capital markets is dependent on a number of factors, including any reduction in the Group's longer-term credit rating, and increased costs or reduction in access could materially adversely affect the Group's results of operations, financial condition or prospects.**

A reduction in the credit rating of the Group or deterioration in the capital markets' perception of the Group's financial resilience could significantly increase its borrowing costs and limit its issuance capacity in the capital markets. As an indicator, during 2015, the spread between an index of "A" rated long-term senior unsecured bank debt and an index of similar "BBB" rated bank debt, both of which are publicly available, has averaged 56 basis points. The applicability to and implications for the Group's funding cost would depend on the type of issuance and prevailing market conditions. The impact on the Group's funding cost is subject to a number of assumptions and uncertainties and is therefore impossible to quantify precisely.

Rating agencies regularly evaluate the Group and the Company, and their ratings of longer-term debt are based on a number of factors, including the Group's financial strength as well as factors not entirely within the Group's control, including conditions affecting the financial services industry generally. In light of the difficulties in the financial services industry and the financial markets, there can be no assurance that the Group or the Company will maintain its current ratings. Downgrades of the Group's longer-term credit rating could lead to additional collateral posting and cash outflow. The effects of a potential downgrade from all three rating agencies are included in the Group liquidity stress testing. As at 31 December 2015, a hypothetical instantaneous two notch downgrade of the Group's current long-term credit rating and accompanying short-term downgrade implemented simultaneously by all major rating agencies could result in an outflow of £1.5 billion of cash over a period of up to one year, £2.1 billion of collateral posting related to customer financial contracts and £5.6 billion of collateral posting associated with secured funding, calculated on an unaudited basis.

Any reduction in the Group's longer-term credit rating may result in increased borrowing costs, a reduction in access to capital markets or a reduction in liquidity which could materially adversely affect the Group's results of operations, financial condition or prospects.

The Group's borrowing costs and access to capital markets could also be affected by various regulatory developments such as the Banking Reform Act, amendments to CRD IV and the coming into force of the BRRD. For further detail on the potential impact of these regulatory developments on the Group's business, see "*Risk Factors — Regulatory and legal risks — The Group faces risks associated with an uncertain and rapidly evolving international prudential legal and regulatory environment*".

The return required by bondholders may also rise if the prospects of bail-in scenarios become more likely which would increase the Group's funding costs. Unfavourable developments could materially adversely affect the Group's access to liquidity, increase its funding costs and, hence, have a material adverse effect on the Group's results of operations, financial condition or prospects.

### **6.3 The Group is subject to the risk of having insufficient capital resources.**

If the Group has or is perceived to have a shortage of capital then it may be subject to regulatory interventions and sanctions and may suffer a loss of confidence in the market with the result that access to liquidity and funding may become constrained or more expensive. Depending on the extent of any actions to improve the capital position there could be a material adverse effect on the Group's business, including its operating results, financial condition and prospects. This, in turn, may affect the Group's capacity to continue its business operations, pay future dividends and make other distributions or pursue acquisitions or other strategic opportunities, impacting future growth potential. If, in response to such shortage, the Group raises additional capital through the issuance of share capital or capital instruments, existing shareholders or holders of debt of a capital nature may experience a dilution of their holdings. If a capital or debt instrument is converted to share capital as a result of a trigger within the contractual terms of the instrument or through the exercise of statutory powers then depending upon the terms of the conversion, existing shareholders may experience a dilution of their holdings. Separately the Group may address a shortage of capital by taking action to reduce leverage and/or risk-weighted assets or by business disposals. Such actions may impact the underlying profitability of the Group.

A shortage of capital could arise from:

- a depletion of the Group's capital resources through increased costs or liabilities and reduced asset values which could arise as a result of the crystallisation of credit-related risks, regulatory and legal risks, business and economic risks, operational risks, financial soundness-related risks, government related risks and other risks described herein; and/or



- an increase in the amount of capital that is needed to be held. This might be driven by a change to the actual level of risk faced by the Group or to changes in the minimum levels required by legislation or by the regulatory authorities, or it may be driven by an increase to the Group's view of the management buffer it should hold taking account of, for example, the capital levels or capital targets of the Group's peer banks or through the changing views of rating agencies.

Risks associated with the regulatory framework are described below:

Within the prevailing UK regulatory capital framework, the Group is subject to extensive regulatory supervision in relation to the levels of capital in its business. New or revised minimum and buffer capital requirements (including systemic and/or countercyclical capital requirements) could be applied and/or the manner in which existing regulatory requirements are applied to the Group could be changed by the regulatory authorities. For example:

- Some of the Group's risk-weighted assets are calculated from the Group's approved models. These are subject to regular review on a rolling basis to ensure that they remain appropriate in prevailing economic and business conditions. These reviews and model implementation may lead to increased levels of risk-weighted assets and/or expected loss, and so to lower reported capital ratios.
- The minimum capital requirements derived from risk-weighted assets are supplemented by the PRA, under Pillar 2 of the regulatory capital framework, through bank specific additional minimum requirements (informed by the ICAAP and set through Individual Capital Guidance) and through buffer requirements (informed by the outcome of PRA stress testing). There is a risk that through these Pillar 2 processes the PRA may require the Group to hold more capital than is currently planned.

In addition, the regulatory framework continues to evolve, which may impact the Group's capital position, for further detail see *"Risk Factors — Regulatory and legal risks — The Group faces risks associated with an uncertain and rapidly evolving international prudential legal and regulatory environment"*.

**6.4 The Group has been and could continue to be negatively affected by the soundness and/or the perceived soundness of other financial institutions, which could result in significant systemic liquidity problems, losses or defaults by other financial institutions and counterparties, and which could materially adversely affect the Group's results of operations, financial condition or prospects.**

The Group is subject to the risk of deterioration of the commercial soundness and/or perceived soundness of other financial services institutions within and outside the UK. Financial services institutions that deal with each other are interrelated as a result of trading, investment, clearing, counterparty and other relationships. This presents systemic risk and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Group interacts on a daily basis, all of which could have a material adverse effect on the Group's ability to raise new funding.

The Group routinely executes a high volume of transactions with counterparties in the financial services industry, resulting in a significant credit concentration. A default by, or even concerns about the financial resilience of, one or more financial services institutions could lead to further significant systemic liquidity problems, or losses or defaults by other financial institutions, which could have a material adverse effect on the Group's results of operations, financial condition or prospects.

**6.5 The Group’s insurance business and defined benefit pension schemes are subject to insurance risks which could adversely affect the Group’s results of operations, financial condition or prospects.**

The insurance business of the Group is exposed to short-term and longer-term variability arising from uncertain longevity due to annuity portfolios. The Group’s defined benefit pension schemes are also exposed to longevity risk. Increases in life expectancy (longevity) beyond current allowances will increase the cost of annuities and pension scheme benefits and may adversely affect the Group’s financial condition and results of operations.

Customer behaviour in the insurance business may result in increased cancellations or ceasing of contributions at a rate in excess of business assumptions. Consequent reduction in policy persistency and fee income would have an adverse impact upon the profitability of the insurance business of the Group.

The insurance business of the Group is also exposed to the risk of uncertain insurance claim rates. For example, extreme weather conditions can result in high property damage claims and higher levels of theft can increase claims on home insurance. These claims rates may differ from business assumptions and negative developments may adversely affect the Group’s financial condition and results of operations.

To a lesser extent the insurance business is exposed to mortality, morbidity and expense risk. Adverse developments in any of these factors may adversely affect the Group’s financial condition and results of operations.

UK banks can recognise an insurance asset in their balance sheets representing the VIF of the business in respect of long-term life assurance contracts, being insurance contracts and investment contracts with discretionary participation features. This asset represents the present value of future profits expected to arise from the portfolio of in-force life assurance contracts. Adoption of this accounting treatment results in the earlier recognition of profit on new business, but subsequently a lower contribution from existing business, when compared to the recognition of profits on investment contracts under IAS 39 (Financial Instruments: “Recognition and Measurement”). Differences between actual and expected experience may have a significant impact on the value of the VIF asset, as changes in experience can result in significant changes to modelled future cash flows. The VIF asset is calculated based on best-estimate assumptions made by management, including mortality experience and persistency. If these assumptions prove incorrect, the VIF asset could be materially reduced, which in turn could have a material adverse effect on the Group’s results of operations, financial condition or prospects.

## **7 Government related risks**

**7.1** The Solicitor for the Affairs of HM Treasury is the largest shareholder of the Company. Through its shareholding in, and other relationships with, the Company, HM Treasury is in a position to exert significant influence over the Group and its business.

At 13 May 2016, HM Treasury held approximately 9 per cent. of the Company’s ordinary share capital. While this shareholding level is expected to decrease over time, there are no express measures in place to limit the level of influence which may be exercised by HM Treasury. The relationship falls within the scope of the revised framework document between HM Treasury and UK Financial Investments (“UKFI”) published on 1 October 2010, which states that UKFI will manage the investments in the UK financial institutions in which HM Treasury holds an interest “on a commercial basis and will not intervene in day-to-day management decisions of the Investee Companies (as defined therein) (including with respect to individual lending or remuneration decisions)”. The framework document also makes it clear that such UK financial institutions will continue to be

separate economic units with independent powers of decision. Nevertheless, there is a risk that HM Treasury might seek to exert influence over the Group in relation to matters including, for example, commercial and consumer lending policies and management of the Group's assets and/or business. There is also a risk of the existing framework document being replaced or amended, leading to potential interference in the operations of the Group, although there has been no indication that the UK Government intends to change the existing operating arrangements.

There is a risk that, through the interest of HM Treasury in the Company, the UK Government and HM Treasury may attempt to influence the Group in other ways that could affect the Group's business, including, for example, through voting or shareholders resolutions generally, the election of directors, the appointment of senior management at the Company, senior management and staff remuneration policies, lending policies and commitments and management of the Group's business (in particular, the management of the Group's assets such as its existing retail and corporate loan portfolios, significant corporate transactions and the issue of new ordinary shares by Lloyds Banking Group plc). Moreover, HM Treasury also has interests in other UK financial institutions, as well as an interest in the general health of the UK banking industry and the wider UK economy. The pursuit of those interests may not always be aligned with the commercial interests of the Group.

For more information see *“Risk Factors — Regulatory and legal risks — The Group's businesses are subject to substantial regulation and oversight. Adverse regulatory developments could have a significant material adverse effect on the Group's results of operations, financial condition or prospects”*. For more information on transactions related to the UK Government, see *“Lloyds Banking Group and Lloyds Bank — Major Shareholders and Related Party Transactions — Other related party transactions with the UK Government”*.

## 8 Other risks

### 8.1 The Group's financial statements are based, in part, on assumptions and estimates.

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to the Group's results and financial position, based upon materiality and significant judgements and estimates, which include impairment of financial assets, valuation of financial instruments, pensions, insurance and taxation are discussed in the Company's Annual Report 2015 filed with the SEC on Form 20-F in *“Note 3 to the consolidated financial statements—Critical accounting estimates and judgements”*.

The consolidated financial statements are prepared using judgements, estimates and assumptions based on information available at the reporting date. If one or more of these judgements, estimates and assumptions is subsequently revised as a result of new factors or circumstances emerging, there could be a material adverse effect on the Group's results of operations, financial condition or prospects and a corresponding impact on its funding requirements and capital ratios.

In July 2014, the International Accounting Standards Board (the **“IASB”**) published a new accounting standard for financial instruments (IFRS9) that will introduce a new model for recognising and measuring impairment based on expected credit losses, rather than an incurred loss model currently applied under IAS39 (Financial Instruments: *“Recognition and Measurement”*), resulting in earlier recognition of credit losses. The changes are likely to result in an increase in the Group's balance sheet provisions for credit losses although the extent of any increase will depend on, amongst other things,

the composition of the Group's lending portfolios and forecast economic conditions at the date of implementation. The new standard is expected to become effective for annual periods beginning on or after January 2018.

**8.2 Both the Bank and the Company are dependent on dividends from their subsidiaries to meet their obligations, including payment obligations with respect to debt securities.**

The Bank is a holding company as well as a bank and as such one of its sources of income is dividends from its operating subsidiaries which also hold certain principal assets of the Group. As a separate legal entity, the Bank partly relies on remittance of their profits and other funds in order to be able to pay obligations to debt holders as they fall due, which remittance is subject to certain restrictions.

The Company is a non-operating holding company. The principal sources of the Company's income are, and are expected to continue to be, distributions from operating subsidiaries which also hold the principal assets of the Group. As a separate legal entity, the Company relies on such distributions in order to be able to meet its obligations, (including its payment obligations with respect to its debt securities) and to create distributable reserves for payment of dividends to ordinary shareholders.

The ability of the Group's subsidiaries (including subsidiaries incorporated outside the UK) to pay dividends and the Company's ability to receive distributions from its investments in other entities will also be subject not only to their financial performance but also to applicable local laws and other restrictions. These restrictions could include, among others, any regulatory requirements, leverage requirements, any statutory reserve requirements and any applicable tax laws. There may also be restrictions as a result of current or forthcoming local ring-fencing requirements, including those relating to the payment of dividends and the maintenance of sufficient regulatory capital on a sub-consolidated basis at the level of the RFB. These laws and restrictions could limit the payment of dividends and distributions to the Company by its subsidiaries and any other entities in which it holds an investment from time to time, which could restrict the Company's ability to meet its obligations and/or to pay dividends.

**8.3 Failure to manage the risks associated with changes in taxation rates or applicable tax laws, or misinterpretation of such tax laws, could materially adversely affect the Group's results of operations, financial condition or prospects.**

Tax risk is the risk associated with changes in taxation rates, applicable tax laws, misinterpretation of such tax laws, disputes with relevant tax authorities in relation to historic transactions or conducting a challenge to a relevant tax authority. Failure to manage this risk adequately could cause the Group to suffer losses due to additional tax charges and other financial costs including penalties. Such failure could lead to adverse publicity, reputational damage and potentially costs materially exceeding current provisions, in each case to an extent which could have an adverse effect on the Group's results of operations, financial condition or prospects.

**RISK FACTORS RELATING TO THE NOTES**

**9 General risks associated with the Notes**

Set out below is a brief description of certain risks relating to the Notes generally.

**9.1 Notes are obligations of the relevant Issuer only**

The Notes are obligations of the relevant Issuer only and are not guaranteed by any other entity and accordingly the holders of Notes have recourse in respect thereof only to the relevant Issuer.

**9.2 Notes are unsecured obligations**

All Notes will represent direct, unconditional, unsecured and unsubordinated obligations of the relevant Issuer and of no other person. All Notes will rank without any preference among themselves and (save to the extent that laws affecting creditors' rights generally in a bankruptcy or winding-up

may give preference to any of such other obligations) equally with all other unsecured and unsubordinated obligations of the relevant Issuer.

### **9.3 Substitution of the relevant Issuer**

Base General Condition 12(c) (*Substitution of the Issuer*) permits the relevant Issuer to substitute for such Issuer another company subject as provided in Base General Condition 12(c) (*Substitution of the Issuer*). Base General Condition 12(c) (*Substitution of the Issuer*) provides that no guarantee of the relevant Issuer is necessary if the Substitute is its holding company.

### **9.4 Redemption due to illegality or change in law**

If the relevant Issuer determines in good faith in accordance with Base General Condition 7(d) (*Redemption for Illegality or Change in Law*) that either (i) it has become or will become unlawful, illegal, or otherwise prohibited in whole or in part or (ii) the relevant Issuer will incur a materially increased cost (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the relevant Issuer and/or any of its Affiliates) in performing its obligations under the Notes or in holding, acquiring or disposing of any arrangement made to hedge its positions under the Notes, whether under any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power (but, if not having the force of law, only if compliance with it is in accordance with the general practice of persons to whom it is intended to apply), or in the interpretation thereof (an “**Illegality**”), the relevant Issuer may redeem such Notes. If the relevant Issuer redeems the Notes, then the relevant Issuer will, if and to the extent permitted by applicable law, pay an amount to each Noteholder in respect of each Note equal to the Early Redemption Amount, which amount shall be adjusted to account fully for any Unwind Costs, if specified as applicable in the relevant Final Terms, notwithstanding such unlawfulness, illegality or other prohibition.

### **9.5 Redemption due to taxation**

If at any time a payment of principal or interest in respect of the Notes was to be due (whether or not the same is in fact then due), and the relevant Issuer would, for reasons outside its control, be unable, after making reasonable endeavours, to make such payment of principal or interest without having to pay additional amounts as provided or referred to in Base General Condition 9(a) (*Taxation*), the relevant Issuer may, at its option, redeem the Notes.

If the relevant Issuer redeems the Notes for taxation reasons, then the relevant Issuer will pay an amount to each Noteholder in respect of each Note equal to the Early Redemption Amount, which amount shall be adjusted to account fully for any Unwind Costs, if specified as applicable in the relevant Final Terms.

### **9.6 Noteholder Meetings**

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

### **9.7 Change of law**

The terms and conditions of the Notes are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

## 9.8 Expenses and taxes

If Expenses are specified as applicable in the Final Terms, a holder of Notes must pay all Expenses relating to the Notes. As used in the Base General Conditions, “**Expenses**” means all taxes, duties and/or expenses, including any applicable depository charges, transaction, exercise or redemption charges, trading costs, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or taxes or duties arising in connection with the exercise or redemption, as the case may be, of the Notes provided, that, a Noteholder’s obligation to pay any taxes or duties described above shall be satisfied to the extent that the Early Redemption Amount already takes into account such amounts.

The relevant Issuer will not be liable for, or otherwise obliged to pay, any tax, duty or other payment which may arise as a result of the ownership, transfer, exercise, redemption or enforcement of any Note by any person and all payments and/or deliveries made by the relevant Issuer will be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted (whether by operation of law or agreement of the relevant Issuer and its agents).

As described fully in Base General Condition 9(a) (*Taxation*), where payments of principal and/or interest in respect of a Note, Receipt or Coupon are subject to deduction for or on account of withholding taxes imposed by the United Kingdom, the relevant Issuer will (subject to certain limitations and exceptions) pay such additional amounts as may be necessary in order that the net amounts of principal and/or interest received by the Noteholders after the deduction shall equal the respective amounts which would have been receivable in the absence of such deduction.

## 9.9 Potential U.S. Foreign Account Tax Compliance Act withholding

Pursuant to certain provisions of U.S. law, commonly known as FATCA, withholding may be required on, among other things, (i) certain payments made by “foreign financial institutions” (“**foreign passthru payments**”), (ii) Dividend Equivalent Payments (as defined below in “*Potential U.S. withholding on Dividend Equivalent Payments*”) and (iii) payments of gross proceeds from the disposition of securities that generate Dividend Equivalent Payments, in each case, to persons that fail to meet certain certification, reporting, or related requirements. Each Issuer believes that it is a foreign financial institution for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions.

Certain aspects of the application of FATCA to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to foreign passthru payments, are not clear at this time. If withholding is required with respect to foreign passthru payments or payments of gross proceeds from the disposition of Notes that generate Dividend Equivalent Payments pursuant to FATCA or an IGA, such withholding would not apply prior to 1 January 2019. Withholding on Dividend Equivalent Payments pursuant to FATCA would not apply prior to 1 July 2017. Additionally, Notes that are not treated as equity for U.S. federal income tax purposes and that have a defined term generally would be “grandfathered” for purposes of FATCA withholding (i) in respect of foreign passthru payments, if issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register, and (ii) in respect of Dividend Equivalent Payments and payments of gross proceeds on Notes that generate Dividend Equivalent Payments, if issued on or prior to 1 July 2017, in each case, unless the Note is materially modified after the relevant grandfathering date. However, if additional notes (as described under “*Terms and Conditions of the Notes – Further Issues*”) that are not distinguishable from grandfathered Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including grandfathered Notes, as subject to withholding under FATCA.

In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

#### **9.10 Potential U.S. withholding on Dividend Equivalent Payments**

U.S. Treasury regulations under Section 871(m) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), could impose withholding at a rate of 30 per cent. (or lower treaty rate) on certain payments of amounts to an Issuer or holders that are directly or indirectly contingent upon, or determined by reference to, the payment of U.S. source dividends (“**Dividend Equivalent Payments**”). These U.S. Treasury regulations generally will not apply to certain securities, such as the Notes, that generate Dividend Equivalent Payments issued prior to 1 January 2017 (the “**Grandfathering Date**”); however, securities that are issued before and significantly modified after the Grandfathering Date may lose “grandfathered” status.

As discussed above, FATCA would impose withholding at a rate of 30 per cent. on any payments in respect of a Note that are treated as Dividend Equivalent Payments when paid to persons that fail to meet certain certification, reporting, or related requirements. While a payment with respect to a Note could be subject to U.S. withholding both under FATCA and as a result of being treated as a Dividend Equivalent Payment, the maximum rate of U.S. withholding on such payment would not exceed 30 per cent.

Upon the issuance of a Note, the relevant Issuer will state in an attachment to the Final Terms or on such Issuer’s website if it has determined that such issuance could give rise to Dividend Equivalent Payments under Section 871(m) and may provide additional information regarding the application of the Section 871(m) regulations to the Notes. The relevant Issuer’s determination regarding the application of Section 871(m) is binding on holders of the Notes, but it is not binding on the U.S. Internal Revenue Service (the “IRS”). In accordance with the applicable effective dates, the relevant Issuer will treat any portion of a payment or deemed payment on such Notes (including, if appropriate, the payment of the purchase price) that is substantially similar to a dividend as a Dividend Equivalent Payment, which will be subject to U.S. withholding tax unless reduced by an applicable tax treaty and a properly executed IRS Form W-8 (or other qualifying documentation) is provided. For Notes issued or deemed issued after 31 December 2016, withholding will be based on actual dividends or, if stated in writing on the issue date of the Notes, on estimated dividends used in pricing the Note. If an adjustment is made for the actual dividends, then a true-up payment (in addition to the estimated dividend) is added to the per-share dividend amount.

The imposition of this U.S. withholding tax would reduce the amounts received by holders that are not U.S. Holders. In the event that any such U.S. withholding tax would be required with respect to payments on the Notes, no person would be required to pay additional amounts as a result of such withholding. If a holder that is not a U.S. Holder becomes subject to this withholding tax, such holder may be able to claim any exemptions or reductions in tax available under its applicable double tax treaty with the United States.

The rules governing FATCA and the U.S. withholding tax on Dividend Equivalent Payments are particularly complex and significant aspects of when and how these rules will apply remain unclear. Each holder should refer to the discussion under “*Taxation – U.S. Withholding on Dividend Equivalent Payments*” consult its own tax advisers to obtain a more detailed explanation of these rules and to learn how FATCA withholding and/or U.S. withholding might affect payments on the Notes.

#### **9.11 Information Reporting Obligations**

Information relating to the Notes, their holders and beneficial owners may be required to be provided to tax authorities in certain circumstances pursuant to domestic or international reporting and

transparency regimes. This may include (but is not limited to) information relating to the value of the Notes, amounts paid or credited with respect to the Notes, details of the holders or beneficial owners of the Notes and information and documents in connection with transactions relating to the Notes. In certain circumstances, the information obtained by a tax authority may be provided to tax authorities in other countries. Some jurisdictions operate a withholding system in place of, or in addition to, such provision of information requirements.

#### **9.12 Emerging markets**

Where the Notes relate to Reference Items which involve emerging market countries, investors should note that the risk of the occurrence and the severity of the consequences of the matters described herein may be greater than they would otherwise be in relation to more developed countries.

Notes that are linked to Reference Items involving an emerging market should be considered speculative. Economies in emerging markets generally are heavily dependent upon international trade and, accordingly, may be affected adversely by trade barriers, foreign exchange controls (including taxes), managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also may be affected adversely by their economic, financial, military and political conditions and the supply and demand for such currency in the global markets.

#### **9.13 Notes where denominations involve integral multiples**

In the case of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In the case of bearer Notes, a Noteholder who, as a result of trading such amounts, holds a nominal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a nominal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

#### **9.14 Early Redemption Amount**

The Notes may be redeemed earlier than the date scheduled for redemption. If the Notes are redeemed early, they will be redeemed at the applicable Early Redemption Amount, which will be the fair market value thereof as determined by the relevant Issuer, which amount in either case shall be adjusted to account fully for any Unwind Costs if specified as applicable in the relevant Final Terms. Such amount may be less than the nominal amount of such Note, and may not be sufficient such that if an investor were to reinvest such Early Redemption Amount it would, on the scheduled redemption date, be worth an amount equal to the nominal amount of such Note.

#### **9.15 Over-issuance**

As part of its issuing, market-making and/or trading arrangements, the relevant Issuer may issue more Notes than those which are to be subscribed or purchased by third party investors. The relevant Issuer (or any of its affiliates) may hold such Notes for the purpose of meeting any investor interest in the future. Prospective investors in the Notes should therefore not regard the issue size of any Series as indicative of the depth or liquidity of the market for such Series, or of the demand for such Series.



**9.16 Noteholders' claims rank junior to those of depositors**

If the relevant Issuer enters into an insolvent winding-up procedure, the administrator, liquidator or other insolvency practitioner would be expected to make distributions of the Issuer's residual assets to its creditors in accordance with a statutory hierarchy or "order of priority".

**9.17 Holders of Notes may be required to absorb losses in the event the Bank or the Company become subject to recovery and resolution action**

See the risk factor entitled "*The Group and its UK subsidiaries may become subject to the provisions of the Banking Act 2009, as amended, which could have an adverse impact on the Group's business.*"

**10 Risks related to the structure of a particular issue of Notes**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors.

**10.1 Notes issued at a substantial discount or premium**

The market values of Notes issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing Notes. Generally, the longer the remaining term of the Notes, the greater the price volatility as compared to conventional interest-bearing Notes with comparable maturities.

**10.2 Notes subject to optional redemption by the relevant Issuer**

An optional redemption feature is likely to limit the market value of Notes. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

**10.3 Time lag before settlement**

In the case of Notes which the relevant Issuer is required to redeem prior to their scheduled Maturity Date at the option of the Noteholder, there will be a time lag between the time a Noteholder gives the instruction to redeem and the time the relevant Final Redemption Amount is determined by the Calculation Agent.

**10.4 General risks and risks relating to Reference Item(s)**

A Series of Notes may involve a high degree of risk, which may include, among others, interest, inflation and foreign exchange rate(s), time value and political risks. Prospective purchasers of Notes should recognise that their Notes, other than any Notes having a minimum redemption value, as the case may be, may be worthless on redemption. Purchasers should be prepared to sustain a total loss of their investment in the Notes, except, if so indicated in the relevant Final Terms, to the extent of any minimum redemption value, as the case may be, that is attributable to such Notes. This risk reflects the nature of a Note as an asset which, other factors held constant, tends to decline in value over time and which may become worthless when it is redeemed (except to the extent of any minimum redemption value, as the case may be). See "*Certain factors affecting the value and trading price of Notes*". Prospective purchasers of Notes should be experienced with respect to options and option transactions, should understand the risks of transactions involving the relevant Notes and the relevant Reference Item(s) and should reach an investment decision only after careful consideration, with their advisers, of

the suitability of such Notes in light of their particular financial circumstances, the information set forth herein and the information regarding the relevant Notes and the particular Reference Item(s) (if any) to which the value of the relevant Notes may relate, as specified in the relevant Final Terms.

The risk of the loss of some or all of the purchase price of a Note upon maturity or redemption, as the case may be, means that, in order to recover and realise a return upon his or her investment, a purchaser of a Note must generally be correct about the direction, timing and magnitude of an anticipated change in the value of the relevant Reference Item(s) (if any) specified in the relevant Final Terms. Assuming all other factors are held constant, the more a Note is “out-of-the-money” and the shorter its remaining term to redemption the greater the risk that purchasers of such Notes will lose all or part of their investment. The only means through which a Noteholder can realise value from the Note prior to the Maturity Date in relation to such Note (other than, for the avoidance of doubt, any interest that may be payable), is to sell it at its then market price in an available secondary market. See “*Risk Factors – Risks relating to the market generally – Possible illiquidity of the Notes in the secondary market*”. The Issuers make no representation as to the existence of a secondary market for the Notes. The market value can be expected to fluctuate significantly and investors should be prepared to assume the market risks associated with these Notes.

Fluctuations in interest rates will affect the value of Rate Linked Notes. Purchasers of Notes risk losing their entire investment if the value of the relevant Reference Item does not move in the anticipated direction. The Issuers may issue several issues of Notes relating to various Underlying Rates or the performance of various Reference Entities, as specified in the relevant Final Terms. However, no assurance can be given that the Issuers will issue any Notes other than the Notes to which the particular Final Terms relate. At any given time, the number of Notes outstanding may be substantial. Notes provide opportunities for investment and pose risks to investors as a result of fluctuations in the value of the Reference Item.

#### **10.5 Certain factors affecting the value and trading price of Notes**

The difference between the trading price and the Final Redemption Amount will reflect, among other things, the “time value” of the Notes. The “time value” of the Notes will depend partly upon the length of the period remaining to redemption and expectations concerning the value of the Underlying Rate and/or Reference Entity/Entities as specified in the relevant Final Terms. Notes offer hedging and investment diversification opportunities, but also pose some additional risks with regard to interim value. The interim value of the Notes varies with the price level of the Reference Item(s) as specified in the relevant Final Terms, as well as due to a number of other interrelated factors, including those specified herein.

Before selling Notes, Noteholders should carefully consider, among other things, (i) the trading price of the Notes, (ii) the value and volatility of the Reference Item(s) (if any) specified in the relevant Final Terms, (iii) the time remaining to redemption, (iv) the probable range of Final Redemption Amounts (v) any change(s) in interim interest rates and dividend yields (if applicable), (vi) any change(s) in currency exchange rates, (vii) the depth of the market or liquidity of the Reference Item(s) as specified in the relevant Final Terms and (viii) any related transaction costs.

### **11 Additional risks associated with Notes that are linked to Reference Item(s)**

#### **11.1 Risks relating to Reference Item(s) generally**

Reference Item Linked Notes involve a high degree of risk. Reference Item Linked Notes provide opportunities for investment and pose risks to investors as a result of fluctuations in the value of the Reference Item(s) to which such Reference Item Linked Notes relate.

Prospective investors in Reference Item Linked Notes should understand the risks of transactions involving Reference Item Linked Notes and should reach an investment decision only after careful

consideration, with their advisers, of the suitability of such Reference Item Linked Notes in light of their particular financial circumstances, the information set forth herein and the information regarding the relevant Reference Item Linked Notes and the particular Reference Item(s) to which the value of, or payments in respect of, the relevant Reference Item Linked Notes may relate, as specified in the relevant Final Terms.

As the Interest Amounts or other amounts payable periodically and/or the Final Redemption Amount may be linked to the performance of the relevant Reference Item(s), an investor in a Reference Item Linked Note must generally be knowledgeable as to, and take a view with respect to, the direction, timing and magnitude of an anticipated change in the value of the relevant Reference Item(s).

Where the relevant Final Terms specify one or more Reference Items, the relevant Reference Item Linked Notes will represent an investment linked to the economic performance of such Reference Item(s) and prospective investors should note that the return (if any) on their investment in Reference Item Linked Notes will depend upon the performance of such Reference Item(s). Potential investors should also note that, whilst the market value of such Reference Item Linked Notes is linked to such Reference Item(s) and will be influenced (positively or negatively) by such Reference Item(s), any change may not be comparable and may be disproportionate to the nominal amount or calculation amount of such Note, for example because of leveraging. It is impossible to predict how the level of the relevant Reference Item(s) will vary over time. In contrast to a direct investment in the relevant Reference Item(s), Reference Item Linked Notes represent the right to receive payment of the Final Redemption Amount, as well as periodic payments of interest (if specified in the relevant Final Terms), all or some of which may be determined by reference to the performance of the relevant Reference Item(s). The relevant Final Terms will set out the provisions for the determination of the Final Redemption Amount and/or any periodic payments.

**PROSPECTIVE INVESTORS MUST REVIEW THE RELEVANT FINAL TERMS TO ASCERTAIN WHAT THE RELEVANT REFERENCE ITEM(S) ARE AND TO SEE HOW THE FINAL REDEMPTION AMOUNT AND/OR ANY PERIODIC PAYMENTS OF INTEREST OR OTHERWISE ARE DETERMINED AND WHEN ANY SUCH AMOUNTS ARE PAYABLE AND/OR DELIVERABLE, AS THE CASE MAY BE, BEFORE MAKING ANY DECISION TO PURCHASE ANY REFERENCE ITEM LINKED NOTES.**

Fluctuations in the value and/or volatility of the relevant Reference Item(s) may affect the value of the relevant Reference Item Linked Notes. Investors in Reference Item Linked Notes may risk losing their entire investment if the value of the relevant Reference Item(s) does not move in the anticipated direction.

There is no guaranteed minimum return on many Reference Item Linked Notes.

Other factors which may influence the market value of Reference Item Linked Notes include interest rates, potential dividend or interest payments (as applicable) in respect of the relevant Reference Item(s), changes in the method of calculating the level of the relevant Reference Item(s) from time to time and market expectations regarding the future performance of the relevant Reference Item(s), its composition and such Reference Item Linked Notes.

The Issuers may issue several issues of Reference Item Linked Notes relating to particular Reference Item(s). However, no assurance can be given that the relevant Issuer will issue any Reference Item Linked Notes other than the Reference Item Linked Notes to which the relevant Final Terms relate. At any given time, the number of Reference Item Linked Notes outstanding may be substantial.

## **11.2 Certain considerations regarding hedging**

Prospective purchasers intending to purchase Notes to hedge against the market risk associated with investing in any Reference Item(s) as may be specified in the relevant Final Terms, should recognise

the complexities of utilising Notes in this manner. For example, the value of the Notes may not exactly correlate with the value of the relevant Reference Item(s). Due to fluctuating supply and demand for the Notes, there is no assurance that their value will correlate with movements of the relevant Reference Item(s). For these reasons, among others, it may not be possible to purchase or liquidate securities in a portfolio at the prices used to calculate the value of any relevant Reference Item(s).

The historical experience of the relevant Reference Item should not be viewed as an indication of the future performance of such Reference Item during the term of any Reference Item Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Reference Item Linked Notes and the suitability of such Notes in light of its particular circumstances.

### **11.3 Potential conflicts of interest**

In the ordinary course of its business, including, without limitation, in connection with its market making activities, the Bank and/or any of its Affiliates may effect transactions for its own account or for the account of its customers and hold long or short positions in any Reference Item(s) or related derivatives. In addition, in connection with the offering of any Notes, the relevant Issuer and/or any of its Affiliates may enter into one or more hedging transactions with respect to any Reference Item(s) or related derivatives. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuers and/or any of their Affiliates, the Issuers and/or any of their Affiliates may enter into transactions in any Reference Item(s) or related derivatives which may affect the market price, liquidity or value of the relevant Notes and which could be deemed to be adverse to the interests of the relevant Noteholders.

Where the relevant Issuer acts as Calculation Agent or the Calculation Agent is an Affiliate of the relevant Issuer, potential conflicts of interest may exist between the Calculation Agent and Noteholders, including with respect to certain determinations and judgements that the Calculation Agent may make pursuant to the Conditions that may influence the amount receivable upon settlement of the Notes.

The Issuers and/or the Dealer may at the date hereof or at any time hereafter be in possession of information in relation to one or more Reference Items that is or may be material in the context of an issue of Notes and may or may not be publicly available to Noteholders. There is no obligation on the Issuers or the Dealer to disclose to Noteholders any such information, except for the Issuers' obligations to disclose inside information, regulated information and significant new factors in relation to the information contained in this Prospectus under the Disclosure and Transparency Rules, Listing Rules and Prospectus Rules (as set out in the FCA Handbook) or any other regulatory requirements.

The Issuers and/or any of their Affiliates may have existing or future business relationships with any Reference Item or, if applicable, any of their subsidiaries or Affiliates or any other person or entity having obligations relating to any Reference Item (including, but not limited to, dealing, lending, depositary, risk management, advisory and banking relationships), and will pursue actions and take steps that they or it deems necessary or appropriate to protect their and/or its interests arising therefrom without regard to the consequences for a Noteholder, regardless of whether any such action might have an adverse effect (including, without limitation, any action which might constitute or give rise to any breach, event of default, credit event or termination event) on any Reference Item or any investor in Notes.

## 12 Additional risks associated with Notes that are linked to a particular Reference Item

### 12.1 Risks related to Rate Linked Notes

The performance of Rate Linked Notes is subject to the level of one or more interest rates, which will be subject to fluctuations over time. Such fluctuations could adversely affect the amount payable on, and the value of, the Notes.

Underlying Rates may be subject to fallbacks if the relevant rate is not published. Payment on the Notes may be delayed as a result.

### 12.2 Risks related to Credit Linked Notes

The Credit Linked Notes have a different risk profile to other unsecured debt securities. The return on the Credit Linked Notes is linked to the credit risk of one or more Reference Entities and certain obligations of one or more Reference Entities underlying that Series of Credit Linked Notes. Investing in the Credit Linked Notes is not equivalent to investing directly in shares of any Reference Entity or in any obligation of any Reference Entity, nor is it equivalent to taking an exposure or hedging using over-the-counter derivatives.

Prospective investors should note that the Credit Linked Notes differ from ordinary debt securities issued by the Bank in that (i) the amount of principal and interest (if any) payable by the Bank is dependent on whether a Credit Event has occurred with respect to a relevant Reference Entity and, if so, on the value of certain specified obligations of such Reference Entity and (ii) if such events have occurred, the Bank may deliver, on redemption, assets which are obligations of (or obligations guaranteed by) such Reference Entity/Entities in lieu of any cash payment under the Credit Linked Notes.

The Credit Linked Notes may redeem below par and investors may receive no or a limited amount of interest. The redemption amount or amount of assets delivered may vary considerably due to market conditions and may in certain circumstances (for example following a default of a Reference Entity) be likely to be valued at a considerable discount to their par value or even zero and investors may therefore lose all or a substantial portion of their investment. The redemption amount is further reduced by the costs incurred by the Bank on unwinding the transactions entered into by the Bank for the purpose of hedging its exposure under the Credit Linked Notes. Investors in the Credit Linked Notes should be aware that payment of the redemption amount or delivery of assets may occur at a different time than expected and that they may lose all or a substantial portion of their investment. In particular, prospective investors should be aware that notes to which “Credit Payment on Maturity” applies will only pay the relevant redemption amount of such Note on the Scheduled Maturity Date even though the Credit Event which leads to the calculation of the redemption amount occurs some time prior to the Scheduled Maturity Date. In certain circumstances, the Credit Linked Notes may redeem at zero. If “Credit Payment on Maturity” applies, the occurrence of a Credit Event will not result in the early termination of the Credit Linked Notes. Investors are therefore exposed to the risk that, following the occurrence of a Credit Event, they will not receive any payments of interest or principal from either the Interest Payment Date prior to the Event Determination Date or the Event Determination Date, if “Credit Event Accrued Interest” applies, up to the Scheduled Maturity Date.

The market price of Credit Linked Notes may be volatile and will be affected by, amongst other things, the time remaining to the maturity date, prevailing credit spreads and the creditworthiness of the relevant Reference Entity or Entities, which in turn may be affected by the economic, financial and political events in one or more jurisdictions.

There may exist at times only limited markets for the Credit Linked Notes or no market for the Credit Linked Notes and for the obligations of the Reference Entity or Entities to which the Credit Linked Notes are linked, resulting in low or non-existent volumes of trading in the Credit Linked Notes and

such obligations, and therefore a lack of liquidity and price volatility of the Credit Linked Notes and such obligations.

Credit Linked Notes bear the credit risk of the Reference Entity or Entities identified in the relevant Final Terms. The occurrence of a Credit Event in relation to a relevant Reference Entity will directly and materially affect the return and/or value of an investor's investment in the Credit Linked Notes. The likelihood of a Credit Event occurring in respect of a relevant Reference Entity will generally fluctuate with, among other things, the financial condition and other characteristics of such Reference Entity, general economic conditions, the conditions of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. Prospective investors should review each Reference Entity and conduct their own investigation and analysis with respect to the credit risk of each Reference Entity and the likelihood of a Credit Event with respect to such Reference Entity.

The Credit Linked Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A prospective investor should not invest in Credit Linked Notes unless it is financially sophisticated and has the requisite specialist expertise (either alone or with a financial adviser) to evaluate how the Credit Linked Notes will perform under changing conditions, the resulting effects on the value of the Credit Linked Notes and the impact this investment will have on the prospective investor's overall investment portfolio.

#### **12.2.1 Independent Review and Advice**

Each prospective investor is fully responsible for making its own investment decisions as to whether the Credit Linked Notes (i) are fully consistent with its (or if it is acquiring the Credit Linked Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and conditions, (ii) comply and are fully consistent with all investment policies, guidelines and restrictions applicable to it (or its beneficiary) and (iii) are a fit, proper and suitable investment for it (or its beneficiary).

Each prospective investor is deemed to have sufficient knowledge, experience and professional advice to make their own investment decisions, including, without limitation, their own legal, financial, tax, accounting, credit, regulatory and other business evaluation of the risks and merits of investment in the Credit Linked Notes. Prospective investors should ensure that they fully understand the risks associated with investments of this nature which are intended to be sold only to sophisticated investors.

Prospective investors should be aware that neither the Bank nor the Dealer in the Credit Linked Notes has any duty to conduct or accepts any responsibility for conducting or failing to conduct any investigation into the business, financial condition, prospects, creditworthiness, status and/or affairs of any Reference Entity and its Obligations, Underlying Obligations, Underlying Obligors, Reference Obligations and Deliverable Obligations. Prospective investors are solely responsible for making their own independent appraisal of and investigation into such matters. Investors in the Credit Linked Notes may not rely on the views or advice of the Bank for any information in relation to any person other than the Bank itself.

Credit Linked Notes are complex financial instruments. A prospective investor should not invest in Credit Linked Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Credit Linked Notes will perform under changing conditions, the resulting effects on the value of the Credit Linked Notes and the impact this investment will have on the prospective investor's overall investment portfolio.

Investment in the Credit Linked Notes is suitable only for investors who can bear the risks associated with a lack of liquidity in the Credit Linked Notes and the financial and other risks associated with an investment in the Credit Linked Notes.

#### 12.2.2 Risks related to the structure of a particular issue of the Credit Linked Notes

A number of the Credit Linked Notes may have features which contain particular risks for investors. Set out below is a description of the most common such features:

(i) *Risk of Loss of Interest*

Save as otherwise provided in the relevant Final Terms, if a Credit Event occurs interest will cease to accrue on the Credit Linked Notes (or, in the case of Linear Basket Notes, a portion thereof equal to the Reference Entity Notional Amount of the Reference Entity in respect of which a Credit Event and Relevant Event Determination Date has occurred) as at the Interest Payment Date (or Issue Date where no Interest Payment Date has occurred) occurring on or immediately preceding the Relevant Event Determination Date or, if “Credit Event Accrued Interest” is applicable in the relevant Final Terms, the Relevant Event Determination Date.

If “Credit Payment on Maturity” applies to the Notes then, following the occurrence of a Credit Event, interest will cease to accrue as described above even though Noteholders will not receive any payment of principal until the Scheduled Maturity Date of the Notes. Consequently, where “Credit Payment on Maturity” applies, Noteholders risk losing the payment of interest on the redemption amount which is payable at maturity of the Notes.

(ii) *Risk of Loss of Principal*

Unless “Principal Protected Redemption” applies investors bear the risk of loss of principal if a Credit Event and a Relevant Event Determination Date occur. The Auction Redemption Amount or the Cash Redemption Amount in respect of a Series of Credit Linked Notes (or, in the case of Linear Basket Notes, a portion thereof equal to the Reference Entity Notional Amount in respect of the Reference Entity in respect of which a Credit Event and a Relevant Event Determination Date has occurred) is likely to be less than the outstanding principal amount of the Notes and may be zero. Similarly, if “Physical Redemption” applies, the market value of the Physical Redemption Assets in respect of a Series of Credit Linked Notes (or, in the case of Linear Basket Notes, a portion thereof equal to the Reference Entity Notional Amount in respect of the Reference Entity in respect of which a Credit Event and a Relevant Event Determination Date has occurred) is likely to be less than the outstanding principal amount of the Notes and may be zero.

In addition, Noteholders should be aware that if “Credit Payment on Maturity” applies to the Notes, then payment of the Cash Redemption Amount or Auction Redemption Amount will only be made at maturity of the Notes notwithstanding that the Credit Event leading to the calculation of the Cash Redemption Amount or Auction Redemption Amount occurs before the Scheduled Maturity Date of the Notes and Noteholders will not receive any interim payment of interest or principal in respect of such Note.

The Auction Redemption Amount or Cash Redemption Amount or the value of the Physical Redemption Assets delivered to a Noteholder will reflect the market value of the obligations of the Reference Entity in respect of which a Credit Event occurred less a deduction for Credit Event Unwind Costs (and, in the case of Credit Linked Notes to which “Physical Redemption” applies, Delivery Expenses).

Credit Event Unwind Costs may be specified to apply to the Notes. Credit Event Unwind Costs relate to the costs and expenses incurred by the Bank or an Affiliate of the Bank in terminating, liquidating, obtaining or re-establishing any related hedging or trading position in connection with the Notes as a result of a Credit Event occurring. The Bank is not under any duty to hedge itself with respect to any Credit Linked Notes, nor is it required to hedge itself in a manner that will result in the lowest unwind costs. Investors should be aware that if Credit Event Unwind Costs are greater than the outstanding nominal amount of the Credit Linked Notes and the Auction Final Price or Final Price or the market value of the Physical Redemption Assets, as the case may be, the Auction Redemption Amount, Cash Redemption Amount or Physical Redemption Assets will be zero.

Delivery Expenses reflect the costs, taxes, duties and/or expenses, including stamp duty, stamp duty reserve tax and/or other costs, duties or taxes arising from the delivery of the Physical Redemption Assets.

See also “*Risks relating to the Credit Event Redemption Method*”.

### **12.2.3 Risks relating to the Credit Linked Asset Conditions and the Credit Derivatives Determinations Committees**

#### (i) *Credit Linked Asset Conditions*

The terms and conditions of the Credit Linked Notes do not incorporate by reference the definitions and provisions of the 2014 ISDA Credit Derivatives Definitions, as such definitions may be amended by the supplements thereto and there may be differences between the definitions used in the Conditions of the Credit Linked Notes and the Credit Derivatives Definitions. Consequently, investing in Credit Linked Notes is not exactly the same as entering into a credit default swap that incorporates the Credit Derivatives Definitions.

While ISDA has published the Credit Derivatives Definitions in order to facilitate transactions and promote uniformity in the credit derivatives market, the credit derivatives market is expected to continue to evolve and change. Consequently, the Credit Derivatives Definitions and the terms applied to credit derivatives, including Credit Linked Notes, are subject to interpretation and further evolution. Past events have shown that the views of market participants may differ as to how the Credit Derivatives Definitions operate or should operate. As a result of the continued evolution in the market, interpretation of the Credit Linked Notes may differ in the future because of future market standards. Such a result may have a negative impact on the Credit Linked Notes.

There can be no assurances that changes to the terms applicable to credit derivatives generally will be predictable or favourable to the Bank or Noteholders. Future amendments or supplements to the terms applicable to credit derivatives generally will only apply to Credit Linked Notes that have already been issued if the Bank and the Noteholders agree to amend the Credit Linked Notes to incorporate such amendments or supplements and other conditions to amending the Credit Linked Notes have been met.

The 2014 ISDA Credit Derivatives Definitions introduce new “Asset Package Delivery” provisions which enable an Asset Package to be the subject of an Auction held to determine the Auction Final Price for a Reference Entity following the occurrence of an Asset Package Credit Event. As at the date of the Credit Linked Asset Conditions, the Auction Settlement Terms have not been updated to reflect such Asset Package Delivery provisions. The Calculation Agent has discretion to adjust the Auction Final Price for



any Asset Package if it determines that the Auction Final Price does not reflect the price for the entire Asset Package and in doing so the Calculation Agent may, but is not obliged to, have regard to any Auction Settlement Terms published by ISDA to settle credit derivatives transactions following an Asset Package Credit Event.

(ii) *Credit Derivatives Determinations Committees*

The Credit Derivatives Determinations Committees (each, an “ISDA DC”) were established pursuant to the March 2009 Supplements to the 2003 ISDA Credit Derivatives Definitions to make determinations that are relevant to the majority of the credit derivatives market and to promote transparency and consistency. Further information about the ISDA DCs may be found at [www.isda.org/credit](http://www.isda.org/credit).

Whether or not a Credit Event or Succession Event has occurred, and certain decisions relating thereto, may be dependent on determinations made by the ISDA DC. In certain circumstances, determinations made by the Calculation Agent may be overridden by subsequent determinations made by an ISDA DC. If the Bank delivers a Credit Event Notice or Succession Event Notice to the Fiscal Agent, the Noteholders should be aware that such notice may be superseded by a determination of an ISDA DC.

In making any determination in its capacity as Calculation Agent or as Issuer, the Bank shall have regard to and, where applicable, be bound by decisions made by an ISDA DC.

Investors, in their capacity as Noteholders, will not have the ability to refer questions to an ISDA DC since the Credit Linked Notes will not constitute an actual credit default swap transaction. As a result, Noteholders are dependent on market participants in actual credit transactions to refer specific questions to the relevant ISDA DC. Neither the Bank nor the Calculation Agent, acting in any capacity, have any duty to the Noteholders to refer, or to desist from referring, specific questions to the relevant ISDA DC.

Noteholders shall have no recourse against the Bank, the Calculation Agent, any institutions serving on an ISDA DC or the external reviewers in the event of any loss arising directly or indirectly from any action, determination or resolution taken or made by an ISDA DC.

The Final Terms set out certain representations relating to the relevant ISDA DC which are deemed to be made by each Noteholder.

(iii) *Exposure to Reference Entities, Obligations, Underlying Obligations, Underlying Obligors, Reference Obligations and Deliverable Obligations*

Unless otherwise provided in the relevant Final Terms, investors in Credit Linked Notes are exposed to the credit risks and other risks associated with each relevant Reference Entity and their Obligations, Underlying Obligations, Underlying Obligors, Reference Obligations, Deliverable Obligations and any relevant jurisdictional risks, in addition to the credit risk of the Bank.

The Linear Basket Notes are linked to the credit risk of more than one Reference Entity and the likelihood of a Credit Event occurring and the risk of loss of principal or loss of interest on a Linear Basket Note may therefore be greater than for a Single Name Credit Linked Note which is linked to the credit risk of only one Reference Entity. The likelihood of a Credit Event occurring in respect of any of the Reference Entities referenced by a Linear Basket Note will differ for each Reference Entity and prospective investors should conduct their own analysis of the credit risk of each of the multiple Reference Entities for the relevant Linear Basket Note.

(iv) *Synthetic Exposure*

The Credit Linked Notes do not represent a claim against any Reference Entity and, in the event of any loss, investors in Credit Linked Notes will not have recourse under the Credit Linked Notes to any Reference Entity nor shall a Noteholder have any legal, beneficial or other interest whatsoever in any of the Obligations, the Reference Obligations or the Deliverable Obligations relating to a Credit Linked Note (except to the extent that such Deliverable Obligations are delivered to the relevant Noteholder). The Bank is not obliged to own or hold any Obligation or Reference Obligation, and no inference may be drawn from the Programme, the Credit Linked Asset Conditions or any relevant Final Terms that the Bank holds any such Obligation or Reference Obligation or has any credit exposure to any Reference Entity. Amounts payable under the Credit Linked Notes are not, in any direct or indirect way, limited by, associated with, or linked or calculated by reference to, any loss of bargain, cost of funding or any other actual loss or cost suffered by the Bank as a result of its holding or not holding any Obligation or Reference Obligation.

Neither the Bank nor the Calculation Agent has made any investigation of, or makes any representation or warranty, express or implied, as to the existence or financial or creditworthiness or other condition of any Reference Entity or the Reference Obligation or Obligations or Deliverable Obligations of such Reference Entity or any information provided in respect of such Reference Entity. The Bank and the Calculation Agent may, at any time, be in possession of information in relation to any Reference Entity (which may or may not be publicly available). None of such persons shall be under any obligation to make any such information available to Noteholders or any other party.

The Bank and/or the Calculation Agent may have access to information with respect to a Reference Entity that would (or would if available from a Public Source), amongst other things, constitute Publicly Available Information with respect to a Credit Event or otherwise suggest that a Credit Event has occurred or may occur with respect to a Reference Entity. There is no obligation on the Bank to disclose such information to any Noteholder, nor to respond to any Noteholder's enquiries or requests for information with respect to any such, or similar, event.

(v) *Credit Events*

Prospective investors should note that not all Credit Events have easily ascertainable triggers and disputes can and have arisen as to whether a specific event did or did not constitute a Credit Event. However, under the Credit Linked Notes and subject to any determinations made by an ISDA DC which will be binding on the Bank and the Calculation Agent, the ISDA DC and/or the Bank's determination of a Credit Event will, in the absence of manifest error, be conclusive and binding on all persons (including, without limitation, the Noteholders), notwithstanding the disagreement of such persons or other financial institutions, rating agencies or commentators.

Investors should note that a Credit Event occurring prior to the Trade Date may result in a Credit Event being triggered under the Notes as the Notes have a "Credit Event Backstop Date" which is a look-back period of 60 calendar days from the Credit Event Resolution Request Date or the date of the Credit Event Notice. Investors should conduct their own review of any recent developments with respect to each Reference Entity by consulting publicly available information. If a request to convene an ISDA Credit Derivatives Determinations Committee has been delivered prior to the Trade Date to determine whether a Credit Event has occurred with respect to the Reference Entity, details of such request may be found on the ISDA website. If an ISDA Credit

Derivatives Determinations Committee has not been convened to determine such matter as of the Trade Date, one may still be convened after the Trade Date in respect of an event which occurs up to 60 days before the date of a request to convene such ISDA Credit Derivatives Determinations Committee.

(vi) *Successors and Substitute Reference Obligations*

Following a Succession Date, one or more Successor Reference Entity(s) will (unless otherwise specified in the relevant Final Terms) be deemed to be a Reference Entity in replacement of (or in addition to, as applicable) the relevant Reference Entity originally specified in the relevant Final Terms. Further, upon a Reference Obligation ceasing to exist in the manner specified in the definition thereof, a Substitute Reference Obligation may be selected.

As a result of the circumstances discussed in the preceding paragraph, a Series of Credit Linked Notes may be linked to the credit of one or more Reference Entities and their Obligations and Reference Obligations notwithstanding that such Reference Entities, Obligations and Reference Obligations were not specified in the relevant Final Terms upon issuance of such Series of Credit Linked Notes.

(vii) *Redemption after Scheduled Maturity Date*

Redemption may occur irrespective of whether the Relevant Credit Event is continuing on or after a Relevant Event Determination Date. The Auction Redemption Date or Cash Redemption Date, the Final Delivery Date or the Physical Redemption Date may be later than the Scheduled Maturity Date. In certain circumstances, delivery of Deliverable Obligations contained in the Physical Redemption Assets may be delayed to a date beyond the Physical Redemption Date. If the Bank determines, in its sole and absolute discretion, that one or more Reference Entities is or may be subject to (i) a Credit Event, (ii) if “Grace Period Extension” is specified as being applicable in the relevant Final Terms, a Potential Failure to Pay or, (c) if “Repudiation/Moratorium” is specified as being applicable in the relevant Final Terms, a Potential Repudiation/Moratorium, the Credit Linked Notes then outstanding shall not be redeemed on the Scheduled Maturity Date but shall be redeemed instead on the Extended Maturity Date. If an extension of the Scheduled Maturity Date applies pursuant to and in accordance with Credit Linked Asset Condition 2.3 (*Maturity Date Extension*), the Bank may deliver a Credit Event Notice or the ISDA DC may make a DC Credit Announcement which will trigger settlement of the Credit Linked Notes in accordance with the Auction Redemption Terms, Physical Redemption Terms or Cash Redemption Terms as the case may be after the Scheduled Maturity Date.

(viii) *Bank Discretion*

Unless, in accordance with the Credit Linked Asset Conditions, the ISDA DC makes a DC Credit Event Announcement or a DC No Credit Event Announcement and the Bank is bound by such determination, the decision when and whether to deliver a Credit Event Notice and, if applicable, a Notice of Publicly Available Information, (if required to be delivered in order to trigger settlement under the Credit Linked Asset Conditions) is at the sole and absolute discretion of the Bank. Such notices are effective when delivered to the Fiscal Agent. The delivery of or failure to deliver such notices to Noteholders will not affect the effectiveness of such notices.

(ix) *Commissions and Costs*

The original issue price of the Credit Linked Notes may include amounts in respect of certain commissions paid with respect to the distribution of the Credit Linked Notes together with certain costs (borne by the Bank) of hedging the Credit Linked Notes. The price at which the Bank may be willing to purchase the Credit Linked Notes in the secondary market, all other factors being equal, is likely to be less than the original issue price, since the original issue price included, and secondary market prices are likely to exclude, those commissions and the projected profit included in such hedging costs. Any such secondary market prices may differ from values determined by pricing models used by the Bank.

**12.2.4 Risks relating to the Credit Event Redemption Method**

The Credit Event Redemption Method specified in the relevant Final Terms will affect how the Credit Linked Notes are redeemed. Prospective investors should assess whether the Credit Event Redemption Method is appropriate for them prior to investing in the Credit Linked Notes.

(i) *Physical Redemption*

Where “Physical Redemption” applies, subject to the provisions of Credit Linked Asset Condition 2.6 (*Physical Redemption Terms*) (as summarised below in the risk factors headed “*Redemption Failure/Alternative Redemption*”, “*Noteholder Obligations*” and “*Impossibility and Illegality*”) the Bank will select Deliverable Obligations (the “*Physical Redemption Assets*”) to deliver to the Noteholders. The Bank will then satisfy its obligations under the Credit Linked Notes by the delivery in respect of each Credit Linked Note of its proportion of such Deliverable Obligations. The Bank is entitled to select deliverable obligations with the lowest value in the market at the relevant time, provided such obligations satisfy certain specifications and limits for qualification as a Deliverable Obligation. This will operate to reduce the value of the assets delivered to the Noteholder upon redemption.

Some Deliverable Obligations may have no, or only a limited, trading market, or may be subject to restrictions on transfer, either of which may operate to reduce their value. The liquidity of obligations will generally fluctuate with, among other things, the underlying liquidity of the loan and bond markets, general economic conditions, domestic and international political events, developments or trends in a particular industry and the financial condition of the relevant Reference Entity/Entities. The financial markets have experienced periods of volatility and reduced liquidity which may re-occur and reduce the market value of the relevant Deliverable Obligations.

(ii) *Asset Package Delivery*

In the event that a Governmental Intervention Credit Event or certain Restructuring Credit Events which, in each case, constitute an Asset Package Credit Event, occurs the obligations that may be delivered to Noteholders may include the Asset Package received or retained by a Relevant Holder in place of the Prior Deliverable Obligation or Package Observable Bond in connection with such Asset Package Credit Event. Such Asset Package may be comprised of illiquid assets and/or may be worth significantly less than the original Prior Deliverable Obligation or Package Observable Bond prior to such Asset Package Credit Event. The Bank has an option to pay Noteholders the Asset Package Cash Redemption Amount in lieu of delivering all or part of the Asset Package.

(iii) *Redemption Failure/Alternative Redemption*

In relation to a Credit Linked Note to which “Physical Redemption” applies, if a Redemption Failure Event occurs, the Credit Linked Note may be subject to alternative settlement and may, in certain circumstances, be redeemed without any payment or Delivery by the Bank. If all or part of the Physical Redemption Assets to be delivered to a Noteholder is not a whole integral number of the smallest unit of transfer for such Physical Redemption Assets as at the relevant time for Delivery, the Bank may Deliver such whole integral amount of the Physical Redemption Assets and cash settle the fractional shortfall.

If the Auction Redemption Amount or Cash Redemption Amount in respect of such Note cannot be paid when due as a result of a Redemption Failure Event, the Noteholder, after providing a release and indemnity to the satisfaction of the Bank, may request such payment to be made to an account or person not affected by such Redemption Failure Event, provided that, if such Redemption Failure Event is continuing for 90 calendar days after the Scheduled Maturity Date or other scheduled payment or delivery date (including the Auction Redemption Date, the Cash Redemption Date or a date scheduled to be the Delivery Date), in respect of an amount to be paid by the Bank, if the Noteholder has not requested such payment to be made to an account or person not affected by such Redemption Failure Event, the Bank’s obligations in respect of such payment will be discharged and, in respect of an amount to be delivered, if “Fallback Cash Redemption” applies, the Bank’s obligation shall be satisfied by fallback cash redemption at the market value of the Deliverable Obligations which would otherwise have been delivered determined by the Bank and if “Fallback Cash Redemption” does not apply, the Bank’s obligations in respect of such delivery will be discharged.

(iv) *Noteholder Obligations*

In relation to a Credit Linked Note to which “Physical Redemption” applies, the Bank’s obligation to Deliver the relevant portion of the Physical Redemption Assets is subject to various conditions, including, without limitation, the obligation of the Noteholder to deliver to the Bank a Deliverable Obligation Notice within the prescribed time frame. If a Noteholder fails to do so, the obligations of the Bank to that Noteholder may be discharged either, if “Fallback Cash Redemption” applies, by fallback cash redemption at the market value of the Physical Redemption Assets determined by the Bank and if “Fallback Cash Redemption” does not apply, without any payment or Delivery. In any event, no payment or Delivery will be made in respect of a Credit Linked Note to which “Physical Redemption” applies unless the Bank has received any required instructions, certifications, information and, where applicable, the relevant Credit Linked Note has been delivered and surrendered in accordance with the terms of the Agency Agreement, the Conditions and the terms of any relevant Global Note.

(v) *Impossibility and Illegality*

In relation to a Credit Linked Note to which “Physical Redemption” Terms applies, if as a result of the application of the provisions of Credit Linked Asset Condition 2.6 (*Physical Redemption Terms*) it is impossible or illegal for the Bank to Deliver (by reason of an impossibility or illegality, non-receipt of requisite consents of Consent Required Loans or Assignable Loans included in the Physical Redemption Assets, the inclusion in the Physical Redemption Assets of Participations not effected by the Latest Permissible Physical Redemption Date or for any other reason specified in the Credit Linked Asset Conditions), then Credit Linked Asset Condition 2.6.10 (*Partial Cash Redemption Terms and Fallback Cash Redemption Terms*) relating to partial cash

settlement may apply in respect of any undeliverable portion of the Physical Redemption Assets. If such partial cash settlement does not apply, then in respect of the portion of the Physical Redemption Assets for which it is not possible or legal to take Delivery on the Physical Redemption Date, such Delivery will take place as soon as practicable thereafter in accordance with the provisions of the Credit Linked Asset Conditions and in any event on or before the Latest Permissible Physical Redemption Date. The Bank's obligations will be deemed to be fully discharged with respect to such Credit Linked Note as at the date on which the relevant portion of the Physical Redemption Assets has been fully Delivered (if any) or otherwise as at the date immediately following the Latest Permissible Physical Redemption Date.

(vi) *Auction Redemption*

If "Auction Redemption" is specified as being applicable in respect of the Credit Linked Notes, then the amounts payable by and/or rights and obligations of the parties under the Credit Linked Notes in respect of the relevant Reference Entity or Reference Obligation will be determined in accordance with the Auction Final Price. This may result in a lower recovery value than a Reference Entity or Reference Obligation would have if such Auction Final Price had not been used.

If "Auction Redemption" is specified as being applicable with respect to the Credit Linked Notes but an ISDA DC does not decide to conduct an Auction with respect to obligations of the relevant Reference Entity satisfying the relevant characteristics as set out in the relevant Final Terms, then the Fallback Redemption Method shall apply. In such circumstances, either, if "Cash Redemption" is the Fallback Redemption Method, the Final Price will be determined pursuant to the Valuation Method or, if "Physical Redemption" is the Fallback Redemption Method, the Bank will Deliver to Noteholders the Physical Redemption Assets.

Noteholders should note that they will not be able to deliver a Customer Physical Settlement Request (as defined in the Credit Derivatives Auction Settlement Terms) to the Bank in respect of their holding of Credit Linked Notes.

In the event of a Governmental Intervention Credit Event or certain Restructuring Credit Events which constitute an Asset Package Credit Event, the Auction Final Price may be determined by reference to the value of the Asset Package received or retained by a Relevant Holder in place of the Prior Deliverable Obligation or Package Observable Bond in connection with such Asset Package Credit Event. Such Asset Package may be worth significantly less than the original Package Observable Bond prior to such Asset Package Credit Event and may result in a significantly lower Auction Redemption Amount being paid out to Noteholders than would have been the case following the relevant Credit Event had the Auction Final Price been determined only by reference to Deliverable Obligations.

(vii) *Cash Redemption*

If "Cash Redemption" is specified as being applicable in the relevant Final Terms with respect to the Credit Linked Notes or "Cash Redemption" is the Fallback Redemption Method, then the Calculation Agent will value the Reference Obligation or any other obligation of the Reference Entity fulfilling certain criteria including the Deliverable Obligation Category and Deliverable Obligation Characteristics by asking for quotations from Quotation Dealers. The date, time and method of such auction, and the selection of the Reference Obligation, will impact the Final Price. The Quotation Dealers selected by the Calculation Agent must be financial institutions, funds or other entities that purchase

or deal in obligations similar to the Reference Obligation and may include the Bank or any guarantor; however, the Quotation Dealers have no duty towards any Noteholder and may not be aware that the purpose of the auction is to determine a Final Price for purposes of the Credit Linked Notes or any other Credit Linked Notes.

Investors should note that the Final Price determined pursuant to a dealer poll may be significantly different to the Auction Final Price.

In the event of a Governmental Intervention Credit Event or certain Restructuring Credit Events which constitute an Asset Package Credit Event, the Final Price may be determined by reference to the value of the Asset Package received or retained by a Relevant Holder in place of the Prior Deliverable Obligation or Package Observable Bond which would otherwise have been valued in order to determine the Final Price. Such Asset Package may be worth significantly less than the original Prior Deliverable Obligation or Package Observable Bond prior to such Asset Package Credit Event and may result in a significantly lower Cash Redemption Amount being paid out to Noteholders than would have been the case following the relevant Credit Event had the Final Price been determined only by reference to Deliverable Obligations.

(viii) *Credit Payment on Maturity*

If “Credit Payment on Maturity” applies, the occurrence of a Credit Event will not result in the early redemption of the Credit Linked Notes. Investors are therefore exposed to the risk that, following the occurrence of a Credit Event, they will not receive any interest payments under the Notes from the Interest Payment Date prior to the Event Determination Date (or the Event Determination Date if “Credit Event Accrual Interest” applies) up to the Maturity Date, and the Cash Redemption Amount or Auction Redemption Amount, as applicable, will only be payable on maturity of the Notes.

#### 12.2.5 Other risk factors

(i) *Leverage*

Certain Credit Linked Notes may be highly leveraged investments, including, without limitation, Credit Linked Notes linked to a notional amount of one or more Reference Entities or Reference Obligations exceeding the Aggregate Nominal Amount of the Credit Linked Notes. The use of leverage is a speculative investment technique to enhance returns. However, leverage also will magnify the adverse impact of Credit Events.

(ii) *Hedging*

In the ordinary course of their business, including without limitation in connection with their market-making activities, the Bank, the Quotation Dealers and/or any Agent or any Affiliate of any of them (each such entity, a “**Programme Party**”) may effect transactions for their own account or for the account of their customers and hold long or short positions in any applicable Reference Obligation or related derivatives. In addition, in connection with the offering of the Credit Linked Notes, the Bank and/or any other Programme Party may enter into one or more hedging transactions with respect to any applicable Reference Obligation or related derivatives. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Bank and/or any other Programme Party, the Bank and/or any other Programme Party may enter into transactions with respect to any applicable Reference Obligation or related derivatives which may affect the market price, liquidity or value of the Credit Linked Notes and which could be deemed to be adverse to the interests of the relevant Noteholders. The Bank and/or any other Programme Party may pursue such hedging or

related derivatives actions and take such steps as they deem necessary or appropriate to protect their interests without regard to the consequences for any Noteholder.

(iii) *No Guarantee of Performance*

The Credit Linked Notes constitute direct, unsubordinated and unsecured obligations of the Bank that are linked to the credit risk of each Reference Entity and/or Reference Obligation specified in the relevant Final Terms. No Programme Party guarantees the performance of or otherwise stands behind the performance of any Reference Entity or Reference Obligation or is under any obligation to make good losses suffered as a result of Credit Events.

(iv) *No Representations*

None of the Programme Parties makes any representation, express or implied, as to any Reference Entity or any Reference Obligation or the credit quality thereof, or any information contained in any documents provided by any Reference Entity or filed by a Reference Entity with any exchange or with any governmental authority.

(v) *Calculation Agent*

All calculations and determinations made by the Calculation Agent in relation to the Credit Linked Notes are final and binding on the Bank, the Fiscal Agent, the Paying Agents, any agents appointed under the Agency Agreement and the Noteholders.

In selecting any Deliverable Obligations or in making any other selection in accordance with the Credit Linked Asset Conditions, the Calculation Agent is not under any obligation to the Noteholders or any other person and, provided that such selection meets the criteria specified, the relevant Calculation Agent will not be liable (in any capacity whatsoever) to account to the Noteholders or any other person for any profit or other benefit to it which may result directly or indirectly from any such selection.

(vi) *Additional Disruption Events*

Where the Additional Disruption Events are specified to be applicable, the Credit Linked Notes may be subject to adjustment or may be redeemed in the event of certain Additional Disruption Events occurring. Prospective investors should review the Conditions to ascertain whether and how such provisions apply to the Credit Linked Notes.

(vii) *Correlation Risks in the case of more than one Reference Entity*

The market price of Notes linked to more than one Reference Entity may be adversely affected by the correlation between Reference Entities. A positive correlation indicates that the probability of the occurrence of Credit Events of two Reference Entities tend to move in the same direction which could have the potential to increase losses accruing to Noteholders in the event that such a Credit Event occurs. A negative correlation indicates that the Credit Event probability moves in the opposite direction. The degree of correlation can also change over time. Depending on the structure of the Notes, a change in correlation can therefore have a positive or negative effect on the market value of the Notes.

### 13 General risks relating to Notes with structured payouts

The Issuers may issue Notes with principal or interest determined by reference to one or more Reference Items. In addition, the Issuers may issue Notes with principal or interest payable in one or more currencies



which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of any such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected or may be subject to withholding or deduction for or on account of any taxes or other charges imposed by relevant governmental authorities or agencies;
- (iv) the amount of principal payable at redemption may be less than the nominal amount of any such Notes or may be zero;
- (v) a Reference Item may be subject to significant fluctuations that may not correlate with changes in interest rates;
- (vi) if a Reference Item is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Reference Item on principal or interest payable is likely to be magnified; and
- (vii) the timing of changes in the performance of a Reference Item may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the performance of a Reference Item, the greater the effect on yield.

#### **14 Additional risks associated with particular structured payouts**

Capitalised terms used below in each paragraph of this paragraph 14 which are not otherwise defined herein shall have the meanings given to them in the relevant Payout Condition.

##### **14.1 Structured Floating Rate Coupon**

In calculating the Interest Amount for Notes in respect of which “Structured Floating Rate Coupon” is specified in the relevant Final Terms to be applicable, a leverage factor is applied to the Relevant Rate.

If the leverage factor is higher than 1 (or if a percentage is specified, 100 per cent.), the effect of a positive or negative Relevant Rate will be magnified. Accordingly, if the Relevant Rate is negative, the overall Interest Amount may be reduced to a greater extent than if no such leverage applied, possibly to zero.

If the leverage factor is lower than 1 (or if a percentage is specified, 100 per cent.), the investor’s exposure to any negative Relevant Rate will be scaled down, but correspondingly the investor will not benefit from the full extent of any positive Relevant Rate.

If a “Cap” applies, the extent of a positive Relevant Rate (as leveraged) will be limited by such cap. In any case, a Structured Floating Rate Coupon may be lower than market interest rates and lower than the rate of interest then payable by the relevant Issuer on other floating rate securities.

##### **14.2 Inverse Floating Rate Coupon**

The Issuers may issue Notes which have an interest rate equal to a fixed rate minus a floating rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Such Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which may further adversely affect the market value of these Notes.

In the case of Inverse Floating Rate Notes, because the Relevant Rate is subtracted from the Fixed Rate of Interest, investors will likely be adversely affected if the Relevant Rate increases, and benefit if the Relevant Rate decreases. Such negative or positive effect will be magnified if the leverage factor applicable to the Relevant Rate is greater than 1 (or 100 per cent.) or reduced if the leverage factor is less than 1 (or 100 per cent.).

If a “Cap” applies, the extent of a positive Relevant Rate (as leveraged) will be limited by such cap. In any case, an Inverse Floating Rate Coupon may be lower than market interest rates and lower than the rate of interest payable by the relevant Issuer on other floating rate securities.

#### **14.3 Fixed Rate Step-up/Step-down Coupon**

Notes in respect of which “Fixed Rate Step-up/Step-down Coupon” is specified in the relevant Final Terms to be applicable bear interest at a fixed Rate of Interest which varies periodically during the life of the Notes. If market interest rates increase during the life of the Notes this may adversely affect the value of the Notes. Notes that bear interest at a fixed Rate of Interest are subject to the risk that market interest rates increase (or fall insufficiently) during the life of the Notes with the consequence that the real return on the Notes, and the value of the Notes, may fall. Even if the Notes provide for the fixed Rate of Interest to increase (or “step-up”) during the life of the Notes, any periodic increases in the fixed Rate of Interest may not keep pace with any increase in market interest rates. If the Notes provide for the fixed Rate of Interest to decrease (or “step-down”) during the life of the Notes, investors are subject to the risk that the revised Rate of Interest will be below then current market interest rates and, even where market interest rates are falling, the reduction in the Rate of Interest on the Notes may be greater than any reduction in market interest rates.

#### **14.4 Fixed to Floating Coupon**

Notes in respect of which “Fixed to Floating Coupon” is specified in the relevant Final Terms to be applicable bear interest at a rate that switches automatically from the Fixed Rate of Interest to the Floating Rate of Interest on the Coupon Flip Date. During the period when the Fixed Rate of Interest applies to the Notes any increases in market interest rates may adversely affect the value of the Notes. Notes that bear interest at a fixed Rate of Interest are subject to the risk that market interest rates increase (or fall insufficiently) during the life of the Notes with the consequence that the real return on the Notes, and the value of the Notes, may fall. Even if the Notes provide for the fixed Rate of Interest to increase during the life of the Notes, any periodic increases in the fixed Rate of Interest may not keep pace with any increase in market interest rates. If the Notes provide for the fixed Rate of Interest to decrease during the life of the Notes, investors are subject to the risk that the revised Rate of Interest will be below then current market interest rates and, even where market interest rates are falling, the reduction in the Rate of Interest on the Notes may be greater than any reduction in market interest rates.

In addition, when the interest rate on the Notes switches from the Fixed Rate of Interest to the Floating Rate of Interest on the Coupon Flip Date, (1) the Floating Rate of Interest may be lower than the Fixed Rate of Interest (with the result that the return on the Notes, and the value of the Notes, falls), (2) the spread on the Notes may be less favourable than the spread on other floating rate securities issued by the relevant Issuer which are linked to the same reference rate and (3) if a “Cap” applies, the extent of a positive Relevant Rate (as leveraged) will be limited by such cap. In any case, a Fixed to Floating Coupon may be lower than market interest rates and lower than the rate of interest then payable by the relevant Issuer on other floating rate securities.

The positive or negative effect of the Relevant Rate from time to time will be magnified if the leverage factor applicable to the Relevant Rate is greater than 1 (or 100 per cent.) or reduced if the leverage factor is less than 1 (or 100 per cent.).

#### **14.5 Floating to Fixed Coupon**

Notes in respect of which “Floating to Fixed Coupon” is specified in the relevant Final Terms to be applicable bear interest at a rate that switches automatically from the Floating Rate of Interest to the Fixed Rate of Interest on the Coupon Flip Date. During the period when the Floating Rate of Interest applies to the Notes, if a “Cap” applies, the extent of a positive Relevant Rate (as leveraged) will be limited by such cap. In any case, a Floating to Fixed Coupon may be lower than market interest rates and lower than the rate of interest then payable by the relevant Issuer on other floating rate securities.

In addition, when the interest rate on the Notes switches from the Floating Rate of Interest to the Fixed Rate of Interest on the Coupon Flip Date, (1) the Fixed Rate of Interest may be lower than the Floating Rate of Interest (with the result that the return on the Notes, and the value of the Notes, falls) and (2) any increases in market interest rates may adversely affect the value of the Notes. Notes that bear interest at a fixed Rate of Interest are subject to the risk that market interest rates increase (or fall insufficiently) during the life of the Notes with the consequence that the real return on the Notes, and the value of the Notes, may fall. Even if the Notes provide for the fixed Rate of Interest to increase during the life of the Notes, any periodic increases in the fixed Rate of Interest may not keep pace with any increase in market interest rates. If the Notes provide for the fixed Rate of Interest to decrease during the life of the Notes, investors are subject to the risk that the revised Rate of Interest will be below then current market interest rates and, even where market interest rates are falling, the reduction in the Rate of Interest on the Notes may be greater than any reduction in market interest rates.

The positive or negative effect of the Relevant Rate from time to time will be magnified if the leverage factor applicable to the Relevant Rate is greater than 1 (or 100 per cent.) or reduced if the leverage factor is less than 1 (or 100 per cent.).

#### **14.6 Fixed to Floating Switchable Coupon**

The relevant Issuer may elect to switch the interest rate applicable to Notes in respect of which “Fixed to Floating Switchable Coupon” is specified in the relevant Final Terms to be applicable from the Fixed Rate of Interest to the Floating Rate of Interest. The relevant Issuer may (and is more likely to) switch the rate at a time when it is likely to produce a lower return for investors. Notes that bear interest at a fixed Rate of Interest are subject to the risk that market interest rates increase (or fall insufficiently) during the life of the Notes with the consequence that the real return on the Notes, and the value of the Notes, may fall. Even if the Notes provide for the fixed Rate of Interest to increase during the life of the Notes, any periodic increases in the fixed Rate of Interest may not keep pace with any increase in market interest rates. If the Notes provide for the fixed Rate of Interest to decrease during the life of the Notes, investors are subject to the risk that the revised Rate of Interest will be below then current market interest rates and, even where market interest rates are falling, the reduction in the Rate of Interest on the Notes may be greater than any reduction in market interest rates.

In addition, if the interest rate on the Notes switches from the Fixed Rate of Interest to the Floating Rate of Interest, (1) the Floating Rate of Interest may be lower than the Fixed Rate of Interest (with the result that the return on the Notes, and the value of the Notes, falls), (2) the spread on the Notes may be less favourable than the spread on other floating rate securities issued by the relevant Issuer which are linked to the same reference rate and (3) if a “Cap” applies, the extent of a positive Relevant Rate (as leveraged) will be limited by such cap. In any case, a Fixed to Floating Switchable Coupon may be lower than market interest rates and lower than the rate of interest then payable by the relevant Issuer on other floating rate securities.

The positive or negative effect of the Relevant Rate from time to time will be magnified if the leverage factor applicable to the Relevant Rate is greater than 1 (or 100 per cent.) or reduced if the leverage factor is less than 1 (or 100 per cent.).

#### **14.7 Floating to Fixed Switchable Coupon**

The relevant Issuer may elect to switch the interest rate applicable to Notes in respect of which “Floating to Fixed Switchable Coupon” is specified in the relevant Final Terms to be applicable from the Floating Rate of Interest to the Fixed Rate of Interest. The relevant Issuer may (and is more likely to) switch the rate at a time when it is likely to produce a lower return for investors. During the period when the Floating Rate of Interest applies to the Notes, if a “Cap” applies, the extent of a positive Relevant Rate (as leveraged) will be limited by such cap. In any case, a Floating to Fixed Switchable Coupon may be lower than market interest rates and lower than the rate of interest then payable by the relevant Issuer on other floating rate securities.

In addition, if the interest rate on the Notes switches from the Floating Rate of Interest to the Fixed Rate of Interest, (1) the Fixed Rate of Interest may be lower than the Floating Rate of Interest (with the result that the return on the Notes, and the value of the Notes, falls) and (2) any increases in market interest rates may adversely affect the value of the Notes. Notes that bear interest at a fixed Rate of Interest are subject to the risk that market interest rates increase (or fall insufficiently) during the life of the Notes with the consequence that the real return on the Notes, and the value of the Notes, may fall. Even if the Notes provide for the fixed Rate of Interest to increase during the life of the Notes, any periodic increases in the fixed Rate of Interest may not keep pace with any increase in market interest rates. If the Notes provide for the fixed Rate of Interest to decrease during the life of the Notes, investors are subject to the risk that the revised Rate of Interest will be below then current market interest rates and, even where market interest rates are falling, the reduction in the Rate of Interest on the Notes may be greater than any reduction in market interest rates.

The positive or negative effect of the Relevant Rate from time to time will be magnified if the leverage factor applicable to the Relevant Rate is greater than 1 (or 100 per cent.) or reduced if the leverage factor is less than 1 (or 100 per cent.).

### **15 Risks relating to the market generally**

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk and credit risk which may affect the Notes.

#### **15.1 Possible illiquidity of the Notes in the secondary market**

There can be no assurance as to how any Notes will trade in the secondary market or whether such market will be liquid or illiquid. Application has been made to list an issue of Notes on a stock exchange, as indicated in the relevant Final Terms. The fact that Notes will be listed does not necessarily lead to greater liquidity. No assurance can be given that there will be a market for any Notes. If any Notes are not traded on any stock exchange, pricing information for such Notes may be more difficult to obtain, and the liquidity and market prices of such Notes may be adversely affected. The liquidity of the Notes may also be affected by restrictions on offers and sales of Notes in some jurisdictions. Notes may be more difficult to obtain and the liquidity of the Notes may be adversely affected. Also, to the extent Notes of a particular issue are redeemed the number of Notes of such issue outstanding will decrease, resulting in a diminished liquidity for the remaining Notes of such issue. A decrease in the liquidity of an issue of Notes may cause, in turn, an increase in the volatility associated with the price of such issue of Notes.

The relevant Issuer and the Dealer may, but is not obliged to, at any time purchase Notes at any price in the open market or by tender or private treaty. Any Notes so purchased may be held or resold or surrendered for cancellation. The Dealer may, but is not obliged to, be a market-maker for an issue of Notes. Even if the Dealer is a market-maker for an issue of Notes, the secondary market for such Notes may be limited. To the extent that an issue of Notes becomes illiquid, a Noteholder may have to await redemption of such Notes to realise value.

## 15.2 Exchange rate risks and exchange controls

The relevant Issuer will pay the Final Redemption Amount in respect of the Notes in the Specified Currency specified in the relevant Final Terms. This presents certain risks relating to currency conversions if a Noteholder's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (a) the Investor's Currency-equivalent yield on the Notes, (b) the Investor's Currency equivalent value of the Final Redemption Amount in respect of the Notes and (c) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, the Final Redemption Amount that investors may receive may be less than expected or zero.

## 15.3 European Monetary Union

If the Notes are issued in a currency other than Euro but the relevant country (the "**Acceding Country**") of the principal financial centre of such currency (the "**Acceding Currency**") joins the EMU prior to the maturity of the Notes, there is no assurance that this would not adversely affect investors in the Notes. It is possible that prior to the maturity of the Notes the Acceding Country may become a participating Member State and that the Euro may become the lawful currency of the Acceding Country. In that event (a) all amounts payable in respect of any Notes denominated in the Acceding Currency may become payable in Euro (b) the law may allow or require such Notes to be re-denominated into Euro and additional measures to be taken in respect of such Notes, or the relevant Issuer may otherwise effect certain changes to the terms and conditions of the Notes on notice to Noteholders; and (c) there may no longer be available published or displayed rates for deposits in the Acceding Currency used to determine the rates of interest on such Notes or changes in the way those rates are calculated, quoted and published or displayed. The introduction of the Euro could also be accompanied by a volatile interest rate environment, which could adversely affect investors in the Notes.

## 15.4 Investors in Notes cleared through Euroclear and Clearstream, Luxembourg rely on the procedures of Euroclear and Clearstream, Luxembourg for transfer, payment and communication with the relevant Issuer

Notes issued under the Programme may be represented by one or more Global Notes or Global Note Certificates. Such Global Notes or Global Note Certificates may be deposited with a common depository or a common safekeeper, as the case may be, for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note or Global Note Certificate, investors will not be entitled to receive definitive Notes or Note Certificates. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes or Global Note Certificates. While the Notes are represented by one or more Global Notes or Global Note Certificates, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes or Global Note Certificates, the relevant Issuer will discharge its payment obligations under the Notes by making payments to the common depository or a common safekeeper, as the case may be, for Euroclear or Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note or Global Note Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The relevant Issuer has no responsibility or liability for the records

relating to, or payments made in respect of, beneficial interest in the Global Notes or Global Note Certificates.

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

### **15.5 Credit ratings may not reflect all risks**

One or more independent credit rating agencies may assign ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

### **15.6 Effect of credit rating reduction**

The value of the Notes is expected to be affected, in part, by investors' general appraisal of the relevant Issuer's creditworthiness. Such perceptions are generally influenced by the ratings accorded to the relevant Issuer's outstanding securities by standard statistical rating services, such as Moody's Investors Service, Inc., Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and Fitch Ratings Limited. A reduction in the rating, if any, accorded to outstanding debt securities of the relevant Issuer by one of these rating agencies could result in a reduction in the trading value of the Notes.

### **15.7 Determinations by the Calculation Agent**

The Conditions provide that the Calculation Agent has discretion to make certain determinations and judgements in respect of the Notes and certain adjustments to the Conditions, which could affect the amount payable by the relevant Issuer on the Notes. Such determinations, judgements or adjustments shall, in the absence of manifest error, be conclusive and binding on Noteholders. In making any determination, judgment or adjustment, the Calculation Agent shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such determination or adjustment for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Calculation Agent shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the relevant Issuer, the Calculation Agent or any other person any indemnification or payment in respect of any tax consequences of any such determination or adjustment upon individual Noteholders. In exercising its right to make such determinations, judgements and adjustments, the Calculation Agent is entitled to act in its sole and absolute discretion, but must act in good faith, unless otherwise specified in the Conditions.

## OVERVIEW OF THE TERMS AND CONDITIONS OF THE NOTES

*This section describes the components of the terms and conditions of the Notes. This introductory section does not form part of the terms and conditions.*

The terms and conditions (the “**Conditions**”) of a Series of Notes shall comprise:

- (a) the terms set out under “*Base General Conditions*” (the “**Base General Conditions**”), which are applicable to all Notes;
- (b) any further terms set out under “*Asset Conditions*” (the “**Asset Conditions**”) specified to be applicable in the Final Terms of the relevant Notes;
- (c) any further terms set out under “*Payout Conditions*” (the “**Payout Conditions**”) specified to be applicable in the Final Terms of the relevant Notes; and
- (d) the Final Terms of the relevant Notes.

In addition, in respect of Notes that are held in global form, certain Conditions may be superseded by the provisions of the Global Note or Global Note Certificates. See “*Summary of Provisions Relating to the Notes While in Global Form*”.

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## BASE GENERAL CONDITIONS

*This section sets out the terms and conditions that apply to all Notes.*

The following are the base conditions that will apply to all Notes (the “**Base General Conditions**”) in addition to (i) any applicable Asset Conditions and (ii) any applicable Payout Conditions (together, the “**Base Conditions**”), as supplemented or completed in accordance with the provisions of the relevant final terms document (the “**Issue Terms**”) (together with the Base Conditions, the “**Conditions**”). Where any Asset Conditions and/or Payout Conditions are specified in the relevant Issue Terms for any Notes, these Base General Conditions shall be subject to such Asset Conditions and/or Payout Conditions and will not apply to the extent they are inconsistent with the provisions of such Asset Conditions and/or Payout Conditions. All capitalised terms that are not defined in these Base General Conditions will have the meanings given to them in any applicable Asset Conditions or Payout Conditions, or the relevant Issue Terms. References in these Base General Conditions or any applicable Asset Conditions or Payout Conditions to “Notes” are to the Notes of one Series only, not to all Notes or to any other Notes that may be issued under the Global Medium Term Note Programme (the “**Programme**”). The relevant Issue Terms for the Notes are attached to the Global Note or Global Note Certificate.

The Notes (referred to herein as the “**Notes**”) are issued either by Lloyds Bank plc (the “**Bank**”) or Lloyds Banking Group plc (the “**Company**”) as specified in the relevant Issue Terms (the “**Issuer**”) pursuant to an Agency Agreement dated 17 May 2016 (the “**Agency Agreement**”), in relation to the Notes between the Issuer, Citibank, N.A., London Branch, as fiscal agent and the other agents named in it. The Notes have the benefit of a deed of covenant dated 17 May 2016 (the “**Deed of Covenant**”). The fiscal agent, the paying agents, the registrar, the transfer agent and the calculation agent(s) for the time being (if any) are referred to below, respectively, as the “**Fiscal Agent**”, the “**Paying Agents**”, the “**Registrar**”, the “**Transfer Agents**” (which expression shall, where the context so permits, include the Registrar) and the “**Calculation Agent(s)**”.

The Noteholders, the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) and the holders of the receipts for the payment of instalments of principal (the “**Receipts**”) relating to Notes in bearer form of which the principal is payable in instalments (the “**Receiptholders**”) are entitled to the benefit of, are bound by, and are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

### 1 Form, Denomination and Title

The Notes are issued in bearer form (“**Bearer Notes**”, which expression includes Notes that are specified to be Exchangeable Bearer Notes), in registered form (“**Registered Notes**”) or in bearer form exchangeable for Registered Notes (“**Exchangeable Bearer Notes**”), in each case in the Specified Denomination(s) shown in the relevant Issue Terms.

All Registered Notes shall have the same Specified Denomination. Where Exchangeable Bearer Notes are issued, the Registered Notes for which they are exchangeable shall have the same Specified Denomination as the lowest denomination of Exchangeable Bearer Notes.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Base General Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates (“**Note Certificates**”).

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). Except as ordered by a court of



competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Note Certificate representing it) or its theft or loss (or that of the related Note Certificate) and no person shall be liable for so treating the holder.

In these Base General Conditions, “**Noteholder**” means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

## 2 Definitions

For the purposes of these Base General Conditions, the following general definitions will apply:

“**2006 ISDA Definitions**” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., and in respect of the Notes, as amended and supplemented up to and including the Issue Date for the first Tranche of the Notes.

“**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, where, for these purposes, “**control**” means ownership of a majority of the voting power of an entity.

“**Agent**” means the Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent.

“**Amortisation Yield**” means the yield specified in the relevant Issue Terms.

“**Broken Amount**” means the amount payable per Calculation Amount on the relevant Interest Payment Date as specified in the relevant Issue Terms.

“**Business Centre**” means any additional financial centre relevant for the purpose of determining Business Days, as specified in the relevant Issue Terms.

“**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments in London and each Business Centre specified in the relevant Issue Terms.

“**Calculation Amount**” means the amount by reference to which the Interest Amount and the Final Redemption Amount is calculated as specified in the relevant Issue Terms.

“**Calculation Amount Factor**” means the number equal to (i) the Specified Denomination divided by (ii) the Calculation Amount.

“**Call Option Business Centre**” means any additional financial centre relevant for the purpose of determining Call Option Business Days, as specified in the relevant Issue Terms.

“**Call Option Business Day**” means a day on which commercial banks and foreign exchange markets settle payments in London and each Call Option Business Centre specified in the relevant Issue Terms.

“**Clearing System**” means each clearance system specified as such in the relevant Issue Terms and such further or alternative clearance system(s) as may be approved by the Issuer from time to time and notified to the Noteholders in accordance with Base General Condition 16 (*Notices*).

“**Clearing System Cut-Off Time**” means (a) in the case of Euroclear, 10:00 a.m., Brussels time, (b) in the case of Clearstream, Luxembourg, 10:00 a.m., Luxembourg time or (c) such other time as determined by the Calculation Agent.

“**Clearstream, Luxembourg**” means Clearstream Banking, *société anonyme*.

“**CMS Business Centre**” means the financial centre(s) specified as such in the Issue Terms or, if none are so specified, (a) if the CMS Currency is GBP, London; (b) if the CMS Currency is USD, U.S. Government Securities Business Day; (c) if the CMS Currency is EUR, any financial centre(s) in which the TARGET System is operating; or (d) if the CMS Currency is any other currency, London.

“**CMS Business Day**” means a day (a) on which commercial banks and foreign exchange markets settle payments in each CMS Business Centre, and, (b) if “U.S. Government Securities Business Day” is a CMS Business Centre, which is a U.S. Government Securities Business Day.

“**CMS Currency**” means the currency specified as such in the relevant Issue Terms.

“**CMS Designated Maturity**” means the maturity specified as such in the relevant Issue Terms.

“**CMS Determination Date**” means the date specified as such in the relevant Issue Terms or, if no such date is specified in the relevant Issue Terms, then the first day of the Interest Accrual Period.

“**CMS Rate**” has the meaning given to it in Base General Condition 5(b)(C)(x) (*CMS Rate Determination for Floating Rate Notes*).

“**CMS Reference Banks**” means the CMS Reference Banks Number of leading swap dealers in the CMS Relevant Interbank Market selected by the Calculation Agent.

“**CMS Reference Banks Number**” means the number specified as such in the relevant Issue Terms, or if no number is so specified, five.

“**CMS Reference Time**” means the time specified as such in the relevant Issue Terms or, if no time is so specified: (a) if the CMS Currency is GBP, 11.00 a.m. London time; (b) if the CMS Currency is USD, 11.00 a.m. New York time; or (c) if the CMS Currency is EUR, 11.00 a.m. Brussels time.

“**CMS Relevant Interbank Market**” means the interbank market in the jurisdiction specified in the relevant Issue Terms or, if no jurisdiction is so specified, (a) if the CMS Currency is euro, the Euro-zone interbank market, (b) if the CMS Currency is U.S. dollars, New York City or (c) otherwise, London.

“**CMS Screen Page**” means the screen page specified as such in the relevant Issue Terms, or any successor page as determined by the Calculation Agent.

“**Coupon Payout Conditions**” means the Structured Floating Rate Coupon Payout Conditions (*CPC Chapter 1*), Inverse Floating Rate Coupon Payout Conditions (*CPC Chapter 2*), Fixed Rate Step-up/Step-down Coupon Payout Conditions (*CPC Chapter 3*), Fixed to Floating Coupon Payout Conditions (*CPC Chapter 4*), Floating to Fixed Coupon Payout Conditions (*CPC Chapter 5*), Fixed to Floating Switchable Coupon Payout Conditions (*CPC Chapter 6*) and Floating to Fixed Switchable Coupon Payout Conditions (*CPC Chapter 7*).

“**Credit Linked Note**” means a Note in respect of which “Credit Linked Provisions” is specified as applicable in the relevant Issue Terms.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the “**Calculation Period**”):

- (a) if “Actual/Actual” or “Actual/Actual – ISDA” is specified in the relevant Issue Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (b) if “Actual/365 (Fixed)” is specified in the relevant Issue Terms, the actual number of days in the Calculation Period divided by 365;

- (c) if “Actual/360” is specified in the relevant Issue Terms, the actual number of days in the Calculation Period divided by 360;
- (d) if “30/360”, “360/360” or “Bond Basis” is specified in the relevant Issue Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (e) if “30E/360” or “Eurobond Basis” is specified in the relevant Issue Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (f) if “30E/360 (ISDA)” is specified in the relevant Issue Terms, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Calculation Period, unless (A) that day is the last day of February or (B) such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (x) that day is the last day of February but not the Maturity Date or (y) such number would be 31, in which case **D<sub>2</sub>** will be 30; and

- (g) if “Actual/Actual ICMA” is specified in the relevant Issue Terms:
- (i) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in such Calculation Period divided by the product of:
    - (x) the number of days in such Determination Period; and
    - (y) the number of Determination Periods normally ending in any year; or
  - (ii) if the Calculation Period is longer than one Determination Period, the sum of:
    - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Periods normally ending in any year; and
    - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Periods normally ending in any year;

where:

“**Determination Date**” means the date specified as such in the relevant Issue Terms or, if none is so specified, each Interest Payment Date; and

“**Determination Period**” means the period from and including a Determination Date (as specified in the relevant Issue Terms) in any year to but excluding the next Determination Date; and

- (h) if “Not Applicable” is specified in the relevant Issue Terms, 1.

“**Established Rate**” means the rate for the conversion of the Specified Currency (taking into account rules relating to roundings in accordance with applicable European Community regulations) into Euro established by the Council of the European Union pursuant to the first sentence of Article 123 of the Treaty.

“**Euro**” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

“**Euroclear**” means Euroclear Bank SA/NV

“**Eurozone**” means the region comprising of Member States of the European Union that adopt or have adopted the single currency in accordance with the Treaty establishing the European Community, as amended.

“**Final Redemption Amount**” means, in respect of each Note,

- (a) the product of the amount per Calculation Amount specified as such in the relevant Issue Terms (or if no such amount is specified, the Calculation Amount) and the Calculation Amount Factor less,
- (b) if applicable, each Note’s *pro rata* share of any Expenses.

“**Hedging Party**” means, in respect of Notes, any party hedging the price risk of such Notes through any hedge or related trading position.

“**Issue Date**” means the issue date specified as such in the relevant Issue Terms.

“**Issue Terms**” has the meaning in the preamble hereto.

“**Interest Accrual Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“**Interest Amount**” means:

- (a) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the relevant Issue Terms, shall mean the Fixed Coupon Amount or Broken Amount specified in the relevant Issue Terms as being payable on the Interest Payment Date falling at the end of the Interest Period of which such Interest Accrual Period forms part; and
- (b) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“**Interest Commencement Date**” means the Issue Date or such other date as may be specified in the relevant Issue Terms.

“**Interest Determination Date**” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Issue Terms or, if none is so specified, (a) if the Reference Rate is GBP LIBOR or SONIA, the first day of such Interest Accrual Period, or (b) if the Reference Rate is USD LIBOR, CHF LIBOR, JPY LIBOR the second London business day prior to the first day of such Interest Accrual Period (c) if the Reference Rate is EURIBOR or EONIA, the second TARGET Business Days prior to the first day of such Interest Accrual Period, or (d) if the Reference Rate is BBSW, the first day of such Interest Accrual Period, or (e) if the Reference Rate is CDOR, the first day of such Interest Accrual Period, or (f) if the Reference Rate is HIBOR, the first day of such Interest Accrual Period, or (g) if the Reference Rate is SIBOR, the second Singapore business day prior to the first day of such Interest Accrual Period, or (h) if the Reference Rate is STIBOR, the second Stockholm business day prior to the first day of such Interest Accrual Period, or (i) if the Reference Rate is TIBOR, the second Tokyo business day prior to the first day of such Interest Accrual Period, or (j) if the Reference Rate is NIBOR, the second Oslo business day prior to the first day of such Interest Accrual Period.

“**Interest Payment Date**” means each date specified as such in the relevant Issue Terms.

“**Interest Period**” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

“**Interest Period Date**” means each Interest Payment Date unless otherwise specified in the relevant Issue Terms.

“**Optional Redemption Amount**” means the amount so specified in the applicable Issue Terms (if any).

“**Payout Conditions**” means the Coupon Payout Conditions.

“**Rate of Interest**” means the rate of interest payable from time to time in respect of this Note and that is either specified in or calculated in accordance with the provisions of Base General Condition 5 (*Interest and other Calculations*) or the relevant Coupon Payout Conditions, in each case as supplemented or completed by the relevant Issue Terms.

“**Redenomination Date**” means the date on which the country of the Acceding Currency first participates in the third stage of European economic and monetary union.

“**Reference Banks**” means: (a) in the case of a determination of GBP LIBOR, USD LIBOR, CHF LIBOR, JPY LIBOR or SONIA, the principal London office of four major banks in the London interbank market; (b) in the case of a determination of EURIBOR or EONIA, the principal Eurozone office of four major banks in the Eurozone interbank market; (c) in the case of a determination of BBSW, the principal Sydney office of the five financial institutions authorized to quote on the Reuters Screen BBSW Page; (d) in the case of a determination of CDOR, the principal Toronto office of four major Canadian Schedule 1 chartered banks; (e) in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong interbank market; (f) in the case of a determination of NIBOR, the principal Oslo office of four major banks in the Oslo interbank market; (g) in the case of a determination of SIBOR, the principal Singapore office of four major banks in the Singapore interbank market; (h) in the case of a determination of STIBOR, the principal Stockholm office of four major banks in the Stockholm interbank market; or (i) in the case of a determination of TIBOR, the principal Tokyo office of four major banks in the Tokyo interbank market, in each case selected by the Calculation Agent.

“**Reference Item**” means each Underlying Rate (as defined in the Rate Linked Asset Conditions) or Reference Entity/Entities (as defined in the Credit Linked Asset Conditions), specified as such in the relevant Issue Terms.

“**Reference Rate**” means: (a) the Sterling London interbank offered rate (“**GBP LIBOR**”); (b) the Dollar London interbank offered rate (“**USD LIBOR**”); (c) the Swiss Franc London interbank offered rate (“**CHF LIBOR**”); (d) the Yen London Interbank offered rate (“**JPY LIBOR**”); (e) the Eurozone interbank offered rate (“**EURIBOR**”); (f) the Australian Bank Bill Swap rate (“**BBSW**”); (g) the Canadian Dollar bankers acceptances rate (“**CDOR**”); (h) the Hong Kong interbank offered rate (“**HIBOR**”); (i) the Singapore dollars interbank offered rate (“**SIBOR**”); (j) the Stockholm interbank offered rate (“**STIBOR**”); (k) the Tokyo interbank offered rate (“**TIBOR**”); (l) the European overnight rate index average (“**EONIA**”); (m) Sterling overnight index average (“**SONIA**”); or (n) the Norwegian kroner interbank offered rate (“**NIBOR**”), for the designated maturity as specified in the relevant Issue Terms.

“**Relevant Interbank Market**” means: (a) if the Reference Rate is GBP LIBOR, USD LIBOR, CHF LIBOR, JPY LIBOR or SONIA, the London interbank market; (b) if the Reference Rate is EURIBOR or EONIA, the Eurozone interbank market; (c) if the Reference Rate is BBSW, the Sydney interbank market; (d) if the Reference Rate is CDOR, the Toronto interbank market; (e) if the Reference Rate is HIBOR, the Hong Kong interbank market; (f) if the Reference Rate is NIBOR, the Oslo interbank market; (g) if the Reference Rate is SIBOR, the Singapore interbank market; (h) if the Reference Rate is STIBOR, the Stockholm interbank market; or (i) if the Reference Rate is TIBOR, the Tokyo interbank market.

“**Relevant Screen Page**” means such page, section, caption, column or other part of a particular information service on which the Reference Rate may be published (if Screen Rate Determination applies) as may be specified in the relevant Issue Terms and any successor thereto as determined by the Calculation Agent in consultation with the Issuer.

“**Relevant Time**” means: (a) if the Reference Rate is GBP LIBOR, SONIA, USD LIBOR, CHF LIBOR or JPY LIBOR, approximately 11.00 a.m. (London time); (b) if the Reference Rate is EONIA, approximately 4.30 p.m. (Brussels time); (c) if the Reference Rate is EURIBOR, approximately 11.00 a.m. (Brussels time); (d) if the Reference Rate is BBSW, approximately 10.00 a.m. (Sydney time); (e) if the Reference Rate is CDOR, approximately 10.00 a.m. (Toronto time); (f) if the Reference Rate is HIBOR, approximately 11.00

a.m. (Hong Kong time); (g) if the Reference Rate is NIBOR, approximately 12.00 noon (Oslo time) (h) if the Reference Rate is SIBOR, approximately 11.00 a.m. (Singapore time); (i) if the Reference Rate is STIBOR, approximately 11.00 a.m. (Stockholm time); or (j) if the Reference Rate is TIBOR, approximately 11.00 a.m. (Tokyo time).

“RNS” means the Regulatory News Services, a news service provided by the London Stock Exchange.

“**Specified Currency**” means the currency specified in the relevant Issue Terms or, if none is specified, the currency of the Notes.

“**Sterling**” means pounds sterling.

“**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 (known as TARGET2) System or any successor thereto.

“**Trade Date**” means the trade date (if any) specified as such in the relevant Issue Terms.

“**Tranche**” means, in respect of a Series, those Notes of that Series issued on the same date at the same issue price and in respect of which the first payment of interest is identical.

“**Treaty**” means the Treaty establishing the European Community, as amended.

“**U.S. dollars**” means United States dollars.

“**U.S. Government Securities Business Day**” means any day except for a Saturday, Sunday or a day on which the Bond Market Association (or any successor organisation) recommends that the fixed income departments of its members be closed for the entire day for the purposes of trading in U.S. government securities.

“**Zero Coupon Note**” means a Note the Interest Basis of which is specified to be Zero Coupon.

### 3 Exchanges of Exchangeable Bearer Notes and Transfers of Registered Notes

#### (a) *Exchange of Exchangeable Bearer Notes*

Subject as provided in Base General Condition 3(f) (*Closed Periods*), Exchangeable Bearer Notes may be exchanged for the same aggregate nominal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Receipts, Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Base General Condition 8(b) (*Registered Notes*)) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

#### (b) *Transfer of Registered Notes*

One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Note Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Note Certificate duly completed and executed and such other evidence as the Registrar or Transfer Agent may reasonably require to prove the title of the transferor. In the case of a transfer of part only of a holding of Registered Notes represented by one Note Certificate, a new Note Certificate shall be issued to the transferee in respect of the part transferred and a further new Note Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency

Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) *Exercise of Options or Partial Redemption in Respect of Registered Notes*

In the case of an exercise of the Issuer's or a Noteholder's option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Note Certificate, a new Note Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Note Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Note Certificates shall only be issued against surrender of the existing Note Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Note Certificate representing the enlarged holding shall only be issued against surrender of the Note Certificate representing the existing holding.

(d) *Delivery of New Note Certificates*

Each new Note Certificate to be issued pursuant to Base General Condition 3(a) (*Exchange of Exchangeable Bearer Notes*), 3(b) (*Transfer of Registered Notes*) or 3(c) (*Exercise of Options or Partial Redemption in Respect of Registered Notes*) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Note Exercise Notice (as defined in Base General Condition 7(f) (*Redemption at the Option of Noteholders*)) or surrender of the Note Certificate for exchange. Delivery of the new Note Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Note Exercise Notice or Note Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Note Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Note Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Fiscal Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Base General Condition 3(d) (*Delivery of New Note Certificates*), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) *Exchange Free of Charge*

Exchange and transfer of Notes and Note Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may reasonably require).

(f) *Closed Periods*

No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s) (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Base General Condition 7(e) (*Redemption at the Option of the Issuer*), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date. An Exchangeable Bearer Note called for redemption may, however, be exchanged for one or more Registered Note(s) in respect of which the Note Certificate is simultaneously surrendered not later than the relevant Record Date.



#### 4 Status of the Notes

Subject to such exceptions as may be provided by mandatory provisions of applicable law, the Notes and the Receipts and Coupons relating to them constitute unsecured and unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer.

#### 5 Interest and other Calculations

The Notes may bear interest by reference to:

- (a) one or more fixed rates (“**Fixed Rate Notes**”);
- (b) one or more floating rates (“**Floating Rate Notes**”); or
- (c) a rate determined in accordance with a Coupon Payout Condition, as specified in the relevant Issue Terms, which are linked to an Underlying Rate, as specified in the relevant Issue Terms (“**Rate Linked Notes**”).

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest, and such interest shall be payable, subject as provided herein, in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with this Base General Condition 5 (*Interest and other Calculations*).

(b) *Interest on Floating Rate Notes*

(i) Interest Payment Dates

Each Floating Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The Interest Amount shall be determined in accordance with Base General Condition 5(g) (*Calculations*).

(ii) Rate of Interest for Floating Rate Notes

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in accordance with the provisions below relating to either ISDA Determination, Screen Rate Determination or CMS Rate Determination, depending upon which is specified in the relevant Issue Terms to be applicable. Unless otherwise stated in the relevant Issue Terms, the Minimum Rate of Interest shall be deemed to be zero.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the relevant Issue Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate (subject to Base General Condition 5(f) (*Margin, Maximum Rates of Interest, Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding*), if applicable). For the purposes of this paragraph (A), “**ISDA Rate**” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction that is governed by an ISDA Master Agreement which incorporates the 2006 ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified in the relevant Issue Terms;

- (y) the Designated Maturity is a period specified in the relevant Issue Terms; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Issue Terms;

provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined by the Calculation Agent, in consultation with the Issuer, in a commercially reasonable manner (though applying the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest, if any, relating to the Interest Accrual Period).

For the purposes of this paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to them in the 2006 ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

- (x) Where Screen Rate Determination is specified in the relevant Issue Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below and subject to Base General Condition 5(f) (*Margin, Maximum Rates of Interest, Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding*), be either:

- (I) the offered quotation; or
- (II) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

- (y) If the Relevant Screen Page is not available or if paragraph (x)(I) above applies and no such offered quotation appears on the Relevant Screen Page or if paragraph (x)(II) above applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case, as at the time specified above, subject as provided below, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.
- (z) If paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency (as defined in Base General Condition 2 (*Definitions*)) for a period equal to that which would have been used for the Reference Rate by leading banks in the Relevant Interbank Market, or, if fewer than two of the Reference Banks provide the

Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate at which, at the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Relevant Interbank Market, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph (z), the Rate of Interest shall be determined by the Calculation Agent, in consultation with the Issuer, in a commercially reasonable manner though applying the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest, if any, relating to the Interest Accrual Period to which such Rate of Interest applies.

(C) CMS Rate Determination for Floating Rate Notes

- (x) Where CMS Rate Determination is specified in the relevant Issue Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below and subject to Base General Condition 5(f) (*Margin, Maximum Rates of Interest, Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding*), be the annual swap rate or semi-annual swap rate, as the case may be (the “**CMS Rate**”), for swap transactions in the CMS Currency with a maturity of the CMS Designated Maturity, expressed as a percentage, which appears on the CMS Screen Page as of the CMS Reference Time on the CMS Determination Date.
- (y) If the CMS Screen Page is not available or if the relevant swap rate does not appear on the CMS Screen Page as at the CMS Reference Time on the CMS Determination Date, the Calculation Agent shall request each of the CMS Reference Banks to provide the Calculation Agent with its mid-market swap rate quotation (expressed as a percentage) at approximately the CMS Reference Time on the CMS Determination Date in question. For this purpose, the mid-market swap rate means the arithmetic mean of the bid and offered rates for the annual or, as the case may be, semi-annual fixed leg, calculated on a 30/360 day count fraction basis, of a fixed-for-floating CMS Currency interest rate swap with a term equal to the CMS Designated Maturity commencing on the first day of the Interest Accrual Period with an acknowledged dealer of good credit in the swap market for an amount that is representative of transactions in the relevant market at the relevant time, where the floating leg is equivalent to the floating rate on the basis of which the relevant CMS Rate is determined. If at least three quotations are received, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest), as determined by the Calculation Agent.
- (z) If the Rate of Interest cannot be determined in accordance with the foregoing provisions of paragraph (y) above, the Rate of Interest shall be determined by the Calculation Agent, in consultation with the Issuer, in a commercially reasonable manner (though applying the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest, if any, relating to the Interest Accrual Period to which such Rate of Interest applies).

(D) Linear Interpolation

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the

Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable), the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable) or the relevant CMS Rate (where CMS Rate Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

“**Applicable Maturity**” means (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, (b) in relation to ISDA Determination, the Designated Maturity and (c) in relation to CMS Rate Determination, the CMS Designated Maturity.

(c) *Interest on Rate Linked Notes*

Each Rate Linked Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The Rate of Interest in respect of Rate Linked Notes for each Interest Accrual Period shall be determined in accordance with the relevant Coupon Payout Condition as supplemented or completed by the relevant Issue Terms. The Interest Amount shall be determined in accordance with Base General Condition 5(g) (*Calculations*).

(d) *Zero Coupon Notes*

Where a Zero Coupon Note is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the due date for redemption, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined in Base General Condition 7(b)(i)(B) (*Zero Coupon Notes*)).

(e) *Accrual of Interest*

Interest (if any) shall cease to accrue on each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) on the due date for redemption thereof, unless (upon due presentation thereof where presentation is required) payment of principal is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue or, in the case of Zero Coupon Notes, shall accrue (in each case, both before and after judgment) at the Rate of Interest in the manner provided in this Base General Condition 5 (*Interest and other Calculations*) to (but excluding) the Relevant Date (as defined in Base General Condition 9(a) (*Taxation*)).

(f) *Margin, Maximum Rates of Interest, Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding*

(i) In respect of any Floating Rate Notes, if any Margin is specified in the relevant Issue Terms (either (A) generally or (B) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest in the case of (A), or the Rates of Interest for the specified Interest Accrual Periods in the case of (B), calculated in accordance with Base General Condition 5(b) (*Interest on Floating Rate Notes*) above by adding (if a positive number) or subtracting (if a negative number) the absolute value of such Margin, subject always to the next paragraph.

- (ii) In respect of any Floating Rate Notes, if any Maximum Rate of Interest and/or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified in the relevant Issue Terms, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum and/or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Base General Conditions (unless otherwise specified in the relevant Issue Terms), (A) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (B) all figures shall be rounded to seven significant figures (with halves being rounded up) and (C) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up).

(g) *Calculations*

Unless the Interest Amount is specified in the Issue Terms, the Interest Amount in respect of any Calculation Amount for any Interest Accrual Period shall be equal to the product of the Rate of Interest for such Interest Accrual Period, the Calculation Amount specified in the relevant Issue Terms and the Day Count Fraction for such Interest Accrual Period. Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply, save that the Day Count Fraction shall be applied to the period for which interest is required to be calculated.

(h) *Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts*

The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period or Interest Payment Date, calculate the Final Redemption Amount(s), Early Redemption Amount, Optional Redemption Amount or any Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and/or the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount(s), Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Registrar, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the rules of any applicable stock exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Base General Condition 5(k)(i) (*Business Day Convention*), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period.

If the Notes become due and repayable under Base General Condition 11 (*Events of Default and Enforcement*), the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Base General Condition 5 (*Interest and other Calculations*) but no publication of the Rate of Interest or the Interest Amount so calculated need be made.

The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding on all parties.

(i) *Nature of the Return*

Any interest paid to Noteholders shall constitute consideration paid for the use of the principal and for the assumption of the risk that the Noteholder may not recover its original investment or that its return may be variable.

(j) *Calculation Agent*

- (i) The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the relevant Issue Terms and for so long as any Note is outstanding. Where more than one Calculation Agent is appointed in respect of the Notes, references in the Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish, calculate or determine any rate or amount to be established, determined or calculated by it pursuant to any of the Conditions, or to comply with any other requirement, it shall forthwith notify the Issuer and the relevant Agent and the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.
- (ii) If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, the Issuer shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Issuer shall apply the provisions of this Base General Condition 5 (*Interest and other Calculations*) to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.
- (iii) The Issuer reserves the right at any time to vary or terminate the appointment of the Calculation Agent, provided that there will at all times be a Calculation Agent. Notice of any termination of appointment of the Calculation Agent will be given to Noteholders in accordance with Base General Condition 16 (*Notices*).
- (iv) In relation to each Series of Notes, the Calculation Agent (whether it be the Issuer or another entity) acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Noteholders.
- (v) The Calculation Agent may, with the consent of the Issuer, delegate any of its obligations and functions to a third party as it deems appropriate and any determination or calculation by any such delegate shall be deemed to be a determination or calculation by the Calculation Agent.

*(k) Business Days**(i) Business Day Convention*

If any date that 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, if the Business Day Convention specified is:

- (A) the “Floating Rate Business Day Convention”, for all purposes (including interest accrual purposes), 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 (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen;
- (B) the “Following Business Day Convention (Adjusted)”, for all purposes (including interest accrual purposes), such date shall be postponed to the next day that is a Business Day;
- (C) the “Following Business Day Convention (Unadjusted)”, (a) for the purposes of calculating the amount of interest payable under the Notes, such date shall not be adjusted; and (b) for any other purpose, such date shall be postponed to the next day that is a Business Day;
- (D) the “Modified Following Business Day Convention (Adjusted)”, for all purposes (including interest accrual purposes), 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; or
- (E) the “Modified Following Business Day Convention (Unadjusted)”, (a) for the purposes of calculating the amount of interest payable under the Notes, such date shall not be adjusted; and (b) for any other purpose, 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;
- (F) the “Preceding Business Day Convention (Adjusted)”, for all purposes (including interest accrual purposes), such date shall be brought forward to the immediately preceding Business Day; and
- (G) the “Preceding Business Day Convention (Unadjusted)”, (a) for the purposes of calculating the amount of interest payable under the Notes, such date shall not be adjusted; and (b) for any other purpose, such date shall be brought forward to the immediately preceding Business Day.

*(ii) Non-Business Days*

If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Base General Condition 5(k)(ii) (*Non-Business Days*), “**business day**” means a day (other than a Saturday or a Sunday) which is a Business Day and which is a day on which commercial banks and foreign exchange markets are open for business in London and the relevant place of presentation (if applicable) and is a day:

- (A) in the case of a payment in a currency other than Euro, where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

- (B) in the case of a payment in Euro, which is a TARGET Business Day.

## 6 Determinations

Any determination, judgment or adjustment made by the Issuer and/or the Calculation Agent pursuant to the Conditions shall (save in the case of manifest error) be final, conclusive and binding on the Issuer, the relevant Agents and the Noteholders. In particular, all certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of Base General Condition 5 (*Interest and other Calculations*) whether by the Fiscal Agent, the Calculation Agent or the Issuer shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the relevant Agents and all Noteholders and (in the absence as aforesaid) no liability shall attach to the Issuer or any relevant Agent, as the case may be, in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

In making any determination, judgment or adjustment pursuant to the Conditions, the Issuer and/or Calculation Agent shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such determination for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and no Noteholders shall be entitled to claim, from the Issuer, the Calculation Agent or any other person any indemnification or payment in respect of any tax consequences of any such determination upon individual Noteholders.

Unless stated otherwise, the Issuer or the Calculation Agent is entitled to act in its sole and absolute discretion, but it must act in good faith.

## 7 Redemption, Purchase and Options

### (a) *Redemption by Instalments and Final Redemption*

- (i) Unless previously redeemed, purchased and cancelled as provided in this Base General Condition 7 (*Redemption, Purchase and Options*), each Note that provides for Instalment Dates and Instalment Amounts (“**Instalment Notes**”) shall be partially redeemed on a number of dates (each such date being an “**Instalment Date**”) in instalments (the amount of each instalment, an “**Instalment Amount**”) at the related Instalment Amount specified in the relevant Issue Terms. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.
- (ii) Unless previously redeemed or purchased and cancelled as provided below, each Note shall be finally redeemed on the date on which the Notes mature (the “**Maturity Date**”) specified in the relevant Issue Terms at its Final Redemption Amount or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

### (b) *Early Redemption*

- (i) Zero Coupon Notes
  - (A) The Early Redemption Amount payable in respect of any Zero Coupon Note (other than a Zero Coupon Note in respect of which a Redemption Payout Condition applies), upon redemption of such Note pursuant to Base General Condition 7(c) (*Redemption for Taxation Reasons*), Base General Condition 7(d) (*Redemption for Illegality or Change in Law*) or upon it becoming due and repayable as provided in Base General Condition 11



(*Events of Default and Enforcement*), shall be the Amortised Face Amount (as defined and calculated below) of such Note.

- (B) Subject to the provisions of paragraph (C) below, the “**Amortised Face Amount**” of any such Note on the relevant date of early redemption shall be the scheduled Final Redemption Amount(s) of such Note on the Maturity Date discounted back to the due date for payment at a rate per annum (expressed as a percentage) equal to the Amortisation Yield applied on a compounded or non-compounded basis as specified in the relevant Issue Terms (which, if none is shown in the relevant Issue Terms, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date).
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Base General Condition 7(c) (*Redemption for Taxation Reasons*), Base General Condition 7(d) (*Redemption for Illegality or Change in Law*) or upon it becoming due and repayable as provided in Base General Condition 11 (*Events of Default and Enforcement*) is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as calculated in accordance with paragraph (B) above, except that such paragraph shall have effect as though the reference therein to the “due date for payment” was replaced by a reference to the date on which the relevant amount is actually paid. The calculation of the Amortised Face Amount in accordance with this paragraph (C) shall continue to be made (both before and after judgment) until the date such amount is paid, unless such date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount(s) of such Note on the Maturity Date together with any interest that may accrue in accordance with Base General Condition 5(d) (*Zero Coupon Notes*).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the relevant Issue Terms.

- (D) The Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Base General Condition 7(c) (*Redemption for Taxation Reasons*), Base General Condition 7(d) (*Redemption for Illegality or Change in Law*) or upon it becoming due and repayable as provided in Base General Condition 11 (*Events of Default and Enforcement*), shall be adjusted to take account fully of Unwind Costs, if Unwind Costs are specified as applicable in the relevant Issue Terms.

(ii) Other Notes

The Early Redemption Amount payable in respect of any Note (other than Notes described in paragraph (i) above), upon redemption of such Note pursuant to Base General Condition 7(c) (*Redemption for Taxation Reasons*), Base General Condition 7(d) (*Redemption for Illegality or Change in Law*), upon it becoming due and repayable as provided in Base General Condition 11 (*Events of Default and Enforcement*) or otherwise, shall mean, an amount in respect of each Note, which amount shall be, if Fair Market Value is specified to be applicable in the relevant Issue Terms, the fair market value of a Note determined by the Issuer on a day selected by the Issuer in its sole and absolute discretion (but which fair market value in the case of an Event of Default, shall be determined immediately prior to the date of early redemption), or if Par is specified to be applicable in the relevant Issue Terms, the product of the Calculation Amount and the Calculation Amount Factor, and in each case, if Unwind Costs are specified as applicable in the relevant Issue Terms, adjusted to take account fully of Unwind Costs.

*(c) Redemption for Taxation Reasons*

- (i) If at any time a payment of principal or interest in respect of the Notes was to be due (whether or not the same is in fact then due) on or before the next Interest Payment Date (if applicable) or the Maturity Date, and the Issuer would, for reasons outside its control, be unable, after making reasonable endeavours, to make such payment of principal or interest without having to pay additional amounts as provided or referred to in Base General Condition 9(a) (*Taxation*), the Issuer may, at its option, having given not less than 30 nor more than 60 days' notice in accordance with Base General Condition 16 (*Notices*), redeem on such Interest Payment Date (if the Note is an interest bearing Note other than a Fixed Rate Note) or at any time (if the Note is a Fixed Rate Note or a Zero Coupon Note) all, but not some only, of the Notes then outstanding at the Early Redemption Amount (as described in Base General Condition 7(b) (*Early Redemption*)) (together with interest accrued to (but excluding) the date fixed for redemption, if applicable).
- (ii) Subject only to the obligation of the Issuer to use such endeavours as aforesaid, it shall be sufficient to establish the existence of the circumstances required to be established pursuant to this Base General Condition 7(c) (*Redemption for Taxation Reasons*) if the Issuer shall deliver to the Fiscal Agent a certificate of an independent lawyer or accountant satisfactory to the Fiscal Agent, in a form satisfactory to the Fiscal Agent, to the effect either that such circumstances exist or that, upon a change in, or amendment to, the laws (or regulations made thereunder) of the United Kingdom or any authority thereof or therein having power to tax or any change in the application or official interpretation of such laws or regulations, which at the date of such certificate is proposed and which in the opinion of such lawyer or accountant can reasonably be expected to become effective on or prior to such Interest Payment Date or time as is referred to in paragraph (c)(i) above, becoming so effective, such circumstances would exist.

*(d) Redemption for Illegality or Change in Law*

If at any time, the Issuer determines in good faith that either (i) it has become or will become unlawful, illegal, or otherwise prohibited in whole or in part or (ii) the Issuer will incur a materially increased cost (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer and/or any of its Affiliates) in performing its obligations under the Notes or in holding, acquiring or disposing of any arrangement made to hedge its positions under the Notes, whether under any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power (but, if not having the force of law, only if compliance with it is in accordance with the general practice of persons to whom it is intended to apply), or in the interpretation thereof (an "**Illegality**"), then the Issuer may, at its option, having given not less than 30 nor more than 60 days' notice in accordance with Base General Condition 16 (*Notices*), redeem on an Interest Payment Date (if the Note is an interest bearing Note other than a Fixed Rate Note) or at any time (if the Note is a Fixed Rate Note or a Zero Coupon Note) all, but not some only, of the Notes then outstanding at the Early Redemption Amount (as described in Base General Condition 7(b) (*Early Redemption*)) (together with interest accrued to (but excluding) the date fixed for redemption, if applicable).

*(e) Redemption at the Option of the Issuer*

If "Call Option" is specified in the relevant Issue Terms to be applicable, the Issuer may, on giving not less than five Call Option Business Days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the relevant Issue Terms), redeem all or, if so provided, some only of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption, if applicable. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum

Redemption Amount to be redeemed specified in the relevant Issue Terms and no greater than the Maximum Redemption Amount to be redeemed specified in the relevant Issue Terms.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Base General Condition 7(e).

In the case of a partial redemption, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws, stock exchange requirements or the requirements of any other relevant authority.

(f) *Redemption at the Option of Noteholders*

If “Put Option” is specified in the relevant Issue Terms to be applicable, the Issuer shall, at the option of the holder of any Note, upon the holder of such Note giving not less than 15 nor more than 30 days’ notice to the Issuer (or such other notice period as may be specified in the relevant Issue Terms), redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption, if applicable.

To exercise such option, the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Note Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice (a “**Note Exercise Notice**”) in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Note Certificate so deposited and option exercised may be withdrawn without the prior consent of the Issuer.

(g) *Unwind costs*

“**Unwind Costs**” shall mean, in respect of each Note, an amount equal to such Note’s *pro rata* portion of the value (determined in the currency in which the Notes are denominated) of any losses, expenses and costs to the Issuer, any Hedging Party and/or any of its Affiliates and any loss of tax relief or other tax consequences of unwinding or adjusting any underlying or related swap agreement or other hedging arrangements (including but not limited to any options or selling or otherwise realising instruments of any type whatsoever which the Issuer, any Hedging Party and/or any of its Affiliates may hold as part of such hedging arrangement and without duplication), all as calculated by the Issuer in its sole discretion.

(h) *Purchases*

The Issuer or any of its subsidiaries, any Affiliate or any holding company of the Issuer or any other subsidiary of any such holding company may at any time, but is not obliged to, purchase Notes (provided that, in the case of Bearer Notes, all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

Any Notes so purchased or otherwise acquired may, at the Issuer’s discretion, be held or resold or surrendered for cancellation.

(i) *Cancellation*

All Notes purchased by or on behalf of the Issuer or any of its subsidiaries or any holding company of the Issuer or any other subsidiary of any such holding company may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Note Certificate representing such Notes to the Registrar and, in each case, if so

surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith).

Any Notes so cancelled may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## 8 Payments and Talons

### (a) *Bearer Notes*

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Base General Condition 8(e)(vi) (*Unmatured Coupons and Receipts and unexchanged Talons*)) or Coupons (in the case of interest, save as specified in Base General Condition 8(e)(ii) (*Unmatured Coupons and Receipts and unexchanged Talons*)), as the case may be:

- (i) in the case of a currency other than Euro, at the specified 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 denominated in such currency with, a bank in the principal financial centre for such currency; and
- (ii) in the case of Euro, at the specified office of any Paying Agent outside the United States by a cheque payable in Euro drawn on, or, at the option of the holder, by transfer to an account denominated in Euro with, a bank in a city in which banks have access to the TARGET System.

### (b) *Registered Notes*

- (i) Payments of principal (which for the purposes of this Base General Condition 8(b) (*Registered Notes*) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Note Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest (which for the purpose of this Base General Condition 8(b) (*Registered Notes*) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the 15th day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made in the relevant currency by a cheque drawn on a bank in the principal financial centre of such currency, subject as provided in Base General Condition 8(a) (*Bearer Notes*), and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date and subject as provided in Base General Condition 8(a) (*Bearer Notes*), such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank.

### (c) *Payments in the United States*

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. 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 Notes 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 opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) *Appointment of Agents*

- (i) The Fiscal Agent, the other Paying Agents, the Registrar and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. Subject as provided in the Agency Agreement, the Fiscal Agent, the other Paying Agents, the Registrar and the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Registrar and any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes which may be the Registrar, (iv) one or more Calculation Agent(s) where these Base General Conditions so require, (v) a Paying Agent having a specified office in Europe, which, so long as the Notes are listed on the official list (the “**Official List**”) of the Financial Conduct Authority under the Financial Services and Markets Act 2000 (the “**UK Listing Authority**”) and are admitted to trading on the London Stock Exchange plc’s Regulated Market, shall be in London and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed.
- (ii) In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Base General Condition 8(c) (*Payments in the United States*).
- (iii) Notice of any such change or any change of any specified office shall promptly be given to the Noteholders by the Issuer in accordance with Base General Condition 16 (*Notices*).

(e) *Unmatured Coupons and Receipts and unexchanged Talons*

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than any Fixed Rate Notes where the total value of the unmatured coupons appertaining thereto exceeds the nominal amount of such Note), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount(s), Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years of the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Base General Condition 10 (*Prescription*)).
- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note or a Structured Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

- (iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.
- (v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
- (vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Note Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Note Certificate representing it, as the case may be.

(f) *Talons*

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and, if necessary, another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Base General Condition 10 (*Prescription*)).

(g) *Payments subject to Fiscal Laws*

Save as provided in Base General Condition 9(a) (*Taxation*), payments in respect of the Notes will be subject in all cases to any other applicable fiscal or other laws and regulations in the place of payment or other laws and regulations to which the Issuer or its respective Agents agree to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations or agreements.

No commission or expenses shall be charged to Noteholders or Couponholders in respect of such payments. The Issuer reserves the right to require a Noteholder to provide a Paying Agent, the Registrar or a Transfer Agent with such certification or information as may be required to enable the Issuer to comply with the requirements of the United States federal income tax laws or any agreement between the Issuer and any taxing authority.

## 9 Taxation and Expenses

(a) *Taxation*

All payments of principal and/or interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made without withholding or deduction for or on account of any present or future tax, duty, assessment or governmental charge of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts of principal and/or interest as will result (after such withholding or deduction) in receipt by the Noteholders, the Receiptholders and the Couponholders of the sums which would have been receivable (in the absence of such withholding or deduction) from it in respect of their Notes and/or Receipts and/or Coupons, as the case may be, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (i) presented for payment by or on behalf of any holder who is liable to such tax, duty, assessment or governmental charge in respect of such Note, Receipt or Coupon by reason of such holder having some connection with the United Kingdom other than the mere holding of such Note, Receipt or Coupon; or
- (ii) to, or to a third party on behalf of, a holder if such withholding or deduction may be avoided by complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to any authority of or in the United Kingdom, unless such holder proves that he is not entitled so to comply or to make such declaration or claim; or
- (iii) to, or to a third party on behalf of, a holder that is a partnership, or a holder that is not the sole beneficial owner of the Note, Receipt or Coupon, or which holds the Note, Receipt or Coupon in a fiduciary capacity, to the extent that any of the members of the partnership, the beneficial owner or the settlor or beneficiary with respect to the fiduciary would not have been entitled to the payment of an additional amount had each of the members of the partnership, the beneficial owner, settlor or beneficiary (as the case may be) received directly his beneficial or distributive share of the payment; or
- (iv) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment at the expiry of such period of 30 days.

Notwithstanding any other provision of these Base General Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer, will be paid net of any deduction or withholding 1) imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”) or 2) imposed as a result of the application of the provisions of Section 871(m) of the Code or any U.S. Treasury Regulations or other administrative guidance published thereunder, or any successor or substitute legislation or provision of law (“**871(m) Withholding**”). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding or 871(m) Withholding.

As used herein:

The “**Relevant Date**” in respect of any payment means the date on which such payment first becomes due or (if the full amount of the moneys payable has not been duly received by the Fiscal Agent on or prior to such date) the date on which notice is given to the Noteholders that such moneys have been so received.

References in these Base General Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Base General Condition 7 (*Redemption, Purchase and Options*) or any amendment or supplement to it, (ii) “**interest**” shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Base General Condition 5 (*Interest and other Calculations*) or any amendment or supplement to them and (iii) “**principal**” and/or “**interest**” (other than such interest as is referred to in Base General Condition 11 (*Events of Default and Enforcement*)) shall be deemed to include any additional amounts that may be payable under this Base General Condition 9(a) (*Taxation*).

*(b) Expenses*

- (i) If Expenses are specified as applicable in the relevant Issue Terms, a Noteholder must pay or discharge all Expenses relating to such Note as provided in these Conditions and, in relation to any Note, no payment of any Instalment Amount or Final Redemption Amount in respect of such Note, will be made until all Expenses in relation to such Note have been paid or discharged to the satisfaction of the Issuer.

“**Expenses**” means, in relation to a Note, all taxes, duties and/or expenses, including any applicable depositary charges, transaction, exercise or redemption charges, trading costs, stamp duty, stamp duty reserve tax, issue, registration, transfer and/or taxes or duties arising in connection with the exercise or redemption, as the case may be, of such Note borne by the Issuer or an Affiliate thereof, as determined by the Calculation Agent, provided, that, Expenses shall not include any taxes or duties described above to the extent that the Early Redemption Amount already takes into account such amounts.

- (ii) Except as required by Base General Condition 9(a) (*Taxation*), the Issuer shall not be liable for or otherwise obliged to pay any tax, duty or other payment which may arise as a result of the ownership, transfer, exercise, redemption or enforcement of any Note by any person and all payments and/or deliveries made by the Issuer shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted (whether by operation of law or agreement of the Issuer or its agents).

**10 Prescription**

Claims for payment of principal (excluding principal comprised in a withheld amount) will become void 12 years, and claims for payment of interest (other than interest comprised in, or accrued on, a withheld amount) will become void six years, after the Relevant Date (as defined in Base General Condition 9(a) (*Taxation*)) relating thereto. Claims in respect of principal comprised in a withheld amount and claims in respect of interest comprised in, or accrued on, a withheld amount will, in the case of such principal, become void 12 years and will, in the case of such interest, become void six years, after the due date for payment thereof as specified in Base General Condition 11 (*Events of Default and Enforcement*) or, if the full amount of the moneys payable has not been duly received by the Fiscal Agent, another Paying Agent, the Registrar or a Transfer Agent, as the case may be, on or prior to such date, the date of which notice is given in accordance with Base General Condition 16 (*Notices*) that the relevant part of such moneys has been so received.

The prescription period in respect of Talons shall be:

- (a) as to any Talon, the original due date for exchange of which falls within the 12 years immediately prior to the due date for redemption (pursuant to Base General Condition 7(a) (*Redemption by Instalments and Final Redemption*), 7(c) (*Redemption for Taxation Reasons*), 7(d) (*Redemption for Illegality or Change in Law*), 7(e) (*Redemption at the Option of the Issuer*) or 7(f) (*Redemption at the Option of Noteholders*)) of the Note to which it pertains, six years from the Relevant Date for the redemption of such Note, but so that the Coupon sheet for which it is exchangeable shall be issued without any Coupon itself prescribed in accordance with this Base General Condition 10 (*Prescription*) or the Relevant Date for payment of which would fall after the Relevant Date for the redemption of the relevant Note and without a Talon; and
- (b) as to any other Talon, 12 years from the Relevant Date for payment of the last Coupon of the Coupon sheet of which it formed part.

**11 Events of Default and Enforcement**

The occurrence of any of the following events shall be an event of default (each an “**Event of Default**”) and following any such Event of Default the holder of any Note may give written notice to the Fiscal Agent at its



specified office that the Notes are, and they shall accordingly immediately become, due and repayable at their Early Redemption Amount, together with accrued interest (if any):

- (a) If the Issuer shall not make payment in respect of any principal or any interest in respect of the Notes for a period of 14 days or more after the due date for the same (other than where the Issuer withholds or refuses any such payment (i) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction or with any agreement between the Issuer (or the Fiscal Agent, the relevant Paying Agent, Transfer Agent or Registrar or the holder of the Note, Receipt or Coupon) and any taxing authority, in each case applicable to such payment, or (ii) in case of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice as to such validity or applicability given at any time during the said period of 14 days by independent legal advisers); or
- (b) If, otherwise than for the purposes of reconstruction or amalgamation, an order is made or an effective resolution is passed for winding-up the Issuer.

## **12 Meetings of Noteholders, Modification and Substitution of the Issuer**

### *(a) Meetings of Noteholders*

The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of the Conditions or any of the provisions of the Notes (including Receipts or Coupons) or the Agency Agreement, except that certain provisions of the Agency Agreement may only be modified subject to approval by Extraordinary Resolution passed at a meeting of Noteholders to which special quorum provisions shall have applied.

An Extraordinary Resolution duly passed at any meeting of the Noteholders shall be binding on all the Noteholders and, all Couponholders, whether or not they are present at the meeting.

Resolutions can be passed in writing if passed by holders of 66 per cent. by nominal amount of all relevant outstanding Notes.

The Conditions may be amended, modified or varied in relation to any Series of Notes.

### *(b) Modifications*

The Issuer may modify the Conditions and/or the Agency Agreement without the consent of the Noteholders in any manner which the Issuer may deem necessary or desirable, provided that either:

- (i) such modification is not materially prejudicial to the interests of the Noteholders in the sole and absolute discretion of the Issuer (without considering the individual circumstances of any holders of Notes or the tax or other consequences of such adjustment in any particular jurisdiction);
- (ii) such modification is of a formal, minor or technical nature or to correct a manifest or proven error or to cure, correct or supplement any defective provision contained herein and/or therein or to comply with any mandatory provision of law of the jurisdiction in which the Issuer is incorporated; or
- (iii) in respect of Notes which the Issuer determines (whether before or after issue) to list on a stock exchange, market or quotation system, such modification is made to enable such Notes to be listed on such stock exchange, market or quotation system.

Notice of any such modification, which will be binding on the Noteholders, will be given to the Noteholders in accordance with Base General Condition 16 (*Notices*) but failure to give, or non-receipt of, such notice will not affect the validity of any such modification.

(c) *Substitution of the Issuer*

The Issuer (or any previously substituted company from time to time) shall, without the consent of the Noteholders, be entitled at any time to substitute for the Issuer (or any such previously substituted company) any other company (the “**Substitute**”) as principal obligor in respect of all obligations arising from or in connection with the Notes, provided that (i) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Notes represent valid, legally binding and enforceable obligations of the Substitute have been taken, fulfilled and done and are in full force and effect; (ii) the Substitute shall have assumed all obligations arising from or in connection with the Notes and shall have become a party to the Agency Agreement, with any consequential amendments; (iii) either (A) the Substitute shall be the holding company of the Issuer or (B) the obligations of the Substitute in respect of the Notes shall be unconditionally and irrevocably guaranteed by the Issuer, (iv) each stock exchange or listing authority on which the Notes are listed shall have confirmed that, following the proposed substitution of the Substitute, the Notes would continue to be listed on such stock exchange; and (v) the Issuer shall have given at least 30 days’ prior notice of the date of such substitution to the Noteholders in accordance with Base General Condition 16 (*Notices*).

In the case of a substitution pursuant to this Base General Condition 12(c) (*Substitution of the Issuer*), the Fiscal Agent may in its absolute discretion agree, without the consent of the relevant Noteholders, to a change of the law governing the Notes and/or the Agency Agreement provided that such change would not in the opinion of the Fiscal Agent be materially prejudicial to the interests of the Noteholders.

**13 Replacement of Notes, Note Certificates, Receipts, Coupons and Talons**

- (a) If a Note, Note Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Note Certificates) or such other place of which notice shall be given in accordance with Base General Condition 16 (*Notices*), in each case, on payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Note Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Note, Note Certificate, Receipt, Coupon or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Note Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued. In addition, the Issuer may require the person requesting delivery of a replacement Note, Note Certificate, Receipt, Coupon or Talon to pay, prior to delivery of such replacement Note, Note Certificate, Receipt, Coupon or Talon, any stamp or other tax or governmental charges required to be paid in connection with such replacement. No replacement Note shall be issued having attached thereto any Receipt, Coupon or Talon, claims in respect of which shall have become void pursuant to Base General Condition 10 (*Prescription*).
- (b) Where:
- (i) a Talon (the “**relevant Talon**”) has become prescribed in accordance with Base General Condition 10 (*Prescription*); and
  - (ii) the Note to which the relevant Talon pertains has not become void through prescription; and
  - (iii) no Coupon sheet (or part thereof, being Coupon(s) and/or a Talon, hereinafter called a “**part Coupon sheet**”), which Coupon sheet would have been exchangeable for the relevant Talon or

for any subsequent Talon bearing the same serial number pertaining to such Note, has been issued; and

- (iv) either no replacement Coupon sheet or part Coupon sheet has been issued in respect of any Coupon sheet or part Coupon sheet referred to in paragraph (iii) above or, in the reasonable opinion of the Issuer, there is no reasonable likelihood that any such replacement has been issued,

then, upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity or security as the Issuer may reasonably require, there may be obtained at the specified office of the Fiscal Agent (or such other place of which notice shall be given in accordance with Base General Condition 16 (*Notices*)) a Coupon sheet or Coupon sheets or part Coupon sheet(s), as the circumstances may require, issued:

- (A) in the case of a Note that has become due for redemption (x) without any Coupon itself prescribed in accordance with Base General Condition 10 (*Prescription*) or the Relevant Date for payment of which would fall after the Relevant Date for the redemption of the relevant Note, and (y) without any Talon or Talons, as the case may be; or
- (B) in any other case, without any Coupon or Talon itself prescribed in accordance with Base General Condition 10 (*Prescription*) and without any Talon pertaining to a Coupon sheet the Relevant Date of the final Coupon of which falls on or prior to the date when the Coupon sheet(s) or part Coupon sheet(s) is (are) delivered to or to the order of the claimant, but in no event shall any Coupon sheet be issued the original due date for exchange of which falls after the date of delivery of such Coupon sheet(s) as aforesaid.

For the avoidance of doubt, the provisions of this Base General Condition 13 (*Replacement of Notes, Note Certificates, Receipts, Coupons and Talons*) shall not give, or revive, any rights in respect of any Talon that has become prescribed in accordance with Base General Condition 10 (*Prescription*).

## 14 Redenomination

Notes denominated in a currency of a country that subsequently participates in the third stage of European Economic and Monetary Union will, with effect from the Redenomination Date, be redenominated in Euro.

The redenomination will have effect as follows:

- (a) the Notes and the Receipts shall be deemed to be redenominated in Euro in the denomination of €0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into Euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Fiscal Agent or Registrar, as applicable, that the then market practice in respect of the redenomination in Euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange on which the Notes may be listed, the Registrar and the Fiscal Agent of such deemed amendments;
- (b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest €0.01;
- (c) if Notes in definitive form are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer in the denomination of €100,000 and/or such higher amounts as the Fiscal Agent or Registrar, as applicable, may determine and notify to the Noteholders and any remaining amounts less than €100,000 shall be redeemed by the Issuer as soon as reasonably

practicable and paid to the Noteholders in Euro in accordance with Base General Condition 8 (*Payments and Talons*);

- (d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the “**Exchange Notice**”) that replacement Euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New Euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Fiscal Agent or Registrar, as applicable, may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 calendar days prior to any date for payment of principal or interest on the Notes;
- (e) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in Euro as though references in the Notes to the Specified Currency were to Euro;
- (f) such other changes shall be made to this Base General Condition 14 (*Redenomination*) as the Issuer may decide after consultation with the Fiscal Agent(s) and, in the case of Registered Notes, the Registrar and as may be specified in the notice, to conform it to conventions applicable to instruments denominated in Euro.

Notwithstanding the foregoing, none of the Issuer, any of its Affiliates or agents, the Fiscal Agent or Registrar shall be liable to any Noteholder or other person for any commissions, costs, losses or expenses in relation to or resulting from the transfer of Euro or any currency conversion or rounding effected in connection therewith.

## 15 Further Issues

The Issuer shall be at liberty from time to time without the consent of Noteholders to create and issue further Notes which (i) are expressed to be consolidated and form a single Series with the outstanding Notes and (ii) are identical in all respects with such Notes except for their respective issue dates and/or issue prices.

## 16 Notices

Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in the United Kingdom (which is expected to be the Financial Times). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in the United Kingdom. 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 such publication is made.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Base General Condition 16 (*Notices*).

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and shall be deemed to have been given on the weekday (being a day other than a Saturday or a Sunday) after the date of mailing, provided that, if at any time by reason of the suspension or curtailment (or expected suspension or curtailment) of postal services within the United Kingdom or elsewhere the Issuer is unable effectively to give notice to holders of Registered Notes through the post, notices to holders of Registered Notes will be valid if given in the same manner as other notices as set out above.

## **17 Documents Available for Inspection**

Copies of the Prospectus, the Deed of Covenant, the Agency Agreement (which contains the forms of the Issue Terms) and the applicable Issue Terms may be obtained during normal office hours from the registered office of the Issuer and from the specified offices of each Fiscal Agent and Transfer Agents, save that if the Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under Directive 2003/71/EC (as amended), the relevant Issue Terms will only be obtainable by a Noteholder and such Noteholder must first produce evidence satisfactory to the Issuer or the Fiscal Agent as to its holding of Notes and its identity.

## **18 Severability**

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

## **19 Governing Law**

The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and construed in accordance with, English law.

## **20 Jurisdiction**

The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Notes and accordingly any legal action or proceedings arising out of or in connection with the Notes (“**Proceedings**”) may be brought in such courts. Service of process in any Proceedings in England may be effected by delivery to the Company’s place of business in England at Faryners House, 25 Monument Street, London EC3R 8BQ or such other address as may be notified to the Noteholders in accordance with Base General Condition 16 (*Notices*).

## **21 Third Party Rights**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person that exists or is available apart from that Act.

## ASSET CONDITIONS

*The chapters of this section each set out additional terms and conditions for Notes linked to a particular asset class (if any) as specified in the relevant Final Terms.*

The following are the terms and conditions (the “**Asset Conditions**”) that apply to Notes as may be specified in the relevant Issue Terms.

The Asset Conditions are set out as follows:

- Rate Linked Asset Conditions AC Chapter 1
- Credit Linked Asset Conditions AC Chapter 2

## AC Chapter 1: Rate Linked Asset Conditions

*This chapter sets out additional terms and conditions that are only applicable to Rate Linked Notes.*

The following are the conditions (the “**Rate Linked Asset Conditions**”) that will apply to Rate Linked Notes. These Rate Linked Asset Conditions are subject to supplement or completion in accordance with the relevant Issue Terms and any applicable Payout Conditions. In the case of any inconsistency between these Rate Linked Asset Conditions and the Base General Conditions, these Rate Linked Asset Conditions will prevail.

Words and expressions defined or used in the relevant Issue Terms shall have the same meanings where used in these Rate Linked Asset Conditions unless the context otherwise requires or unless otherwise stated. All capitalised terms that are not defined in these Rate Linked Asset Conditions or elsewhere in the Base Conditions applicable to the Rate Linked Notes will have the meanings given to them in the relevant Issue Terms. References in these Rate Linked Asset Conditions to “Rate Linked Notes” are to the Rate Linked Notes of one Series only, not to all Rate Linked Notes that may be issued under the Programme.

### 1 Rate Linked Notes

#### 1.1 Determination of the Underlying Rate

Each Underlying Rate shall be determined in accordance with the provisions below relating to ISDA Determination, Screen Rate Determination or CMS Rate Determination, depending upon which is specified to be applicable the relevant Issue Terms.

##### (a) ISDA Determination

Where “ISDA Determination” is specified in the relevant Issue Terms as the manner in which an Underlying Rate is to be determined, such Underlying Rate in respect of any Reference Date or Averaging Reference Date shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this Rate Linked Asset Condition 1.1 (*Determination of the Underlying Rate*), “**ISDA Rate**” for a Reference Date or Averaging Reference Date means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction that is governed by an ISDA Master Agreement which incorporates the 2006 ISDA Definitions and under which:

- (i) the Floating Rate Option is as specified in the relevant Issue Terms;
- (ii) the Designated Maturity is the period specified as such in the relevant Issue Terms; and
- (iii) the relevant Reset Date is each date specified as such in the relevant Issue Terms,

provided that, if the Underlying Rate cannot be determined in accordance with the foregoing provisions of this paragraph (a), the Underlying Rate shall be determined by the Calculation Agent, in consultation with the Issuer, in a commercially reasonable manner.

For the purposes of this paragraph (a), “**Floating Rate**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to them in the 2006 ISDA Definitions.

##### (b) Screen Rate Determination

- (i) Where “Screen Rate Determination” is specified in the relevant Issue Terms as the manner in which an Underlying Rate is to be determined, such Underlying Rate in respect of any Reference Date or Averaging Reference Date shall be determined by the Calculation Agent as a rate equal to the relevant Screen Rate. For the purposes of this Rate Linked Asset Condition 1.1 (*Determination of the Underlying Rate*), “**Screen Rate**” means, subject as provided below, either:

- (A) the offered quotation; or
- (B) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Underlying Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Relevant Time on the Reference Date or Averaging Reference Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

- (ii) If the Relevant Screen Page is not available or if paragraph (i)(A) above applies and no such offered quotation appears on the Relevant Screen Page or if paragraph (i)(B) above applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case, as at the time specified above, subject as provided below, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Underlying Rate as at the Relevant Time on the Reference Date or Averaging Reference Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Underlying Rate for such Reference Date or Averaging Reference Date shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.
- (iii) If paragraph (ii) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Underlying Rate shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at the Relevant Time on the relevant Reference Date or Averaging Reference Date, deposits in the Underlying Rate Currency for a period equal to that which would have been used for the relevant Underlying Rate by leading banks in the Relevant Interbank Market or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Underlying Rate Currency for a period equal to that which would have been used for the Underlying Rate, or the arithmetic mean of the offered rates for deposits in the Underlying Rate Currency for a period equal to that which would have been used for the Underlying Rate at which, at the Relevant Time on the relevant Reference Date or Averaging Reference Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Relevant Interbank Market, provided that, if the Underlying Rate cannot be determined in accordance with the foregoing provisions of this paragraph (iii), the Underlying Rate shall be determined by the Calculation Agent, in consultation with the Issuer, in a commercially reasonable manner.

**(c) CMS Rate Determination**

- (x) Where “CMS Rate Determination” is specified in the relevant Issue Terms as the manner in which an Underlying Rate is to be determined, such Underlying Rate in respect of any Reference Date or Averaging Reference Date will, subject as provided below, be the annual swap rate or semi-annual swap rate, as the case may be (the “**CMS Rate**”), for swap transactions in the CMS Currency with a maturity of the CMS Designated



Maturity, expressed as a percentage, which appears on the CMS Screen Page as of the CMS Reference Time on the CMS Determination Date.

- (y) If the CMS Screen Page is not available or if the relevant swap rate does not appear on the CMS Screen Page as at the CMS Reference Time on the CMS Determination Date, the Calculation Agent shall request each of the CMS Reference Banks to provide the Calculation Agent with its mid-market swap rate quotation (expressed as a percentage) at approximately the CMS Reference Time on the CMS Determination Date in question. For this purpose, the mid-market swap rate means the arithmetic mean of the bid and offered rates for the annual or, as the case may be, semi-annual fixed leg, calculated on a 30/360 day count fraction basis, of a fixed-for-floating CMS Currency interest rate swap with a term equal to the CMS Designated Maturity commencing on the Reference Date or Averaging Reference Date in question with an acknowledged dealer of good credit in the swap market for an amount that is representative of transactions in the relevant market at the relevant time, where the floating leg is equivalent to the floating rate on the basis of which the relevant CMS Rate is determined. If at least three quotations are received, the Underlying Rate for such Reference Date or Averaging Reference Date shall be the arithmetic mean of such offered quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest), as determined by the Calculation Agent.
- (z) If an Underlying Rate cannot be determined in accordance with the foregoing provisions of paragraph (y) above, such Underlying Rate shall be determined by the Calculation Agent, in consultation with the Issuer, in a commercially reasonable manner.

## 1.2 Definitions

“**2006 ISDA Definitions**” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., and in respect of the Notes, as amended and supplemented up to and including the Issue Date for the first Tranche of the Notes.

“**Averaging Date**” means, in respect of each Underlying Rate, each date specified as such in the relevant Issue Terms, or if such day is not an Underlying Rate Business Day, the immediately following Underlying Rate Business Day for such Underlying Rate.

“**Averaging Reference Date**” means each Initial Averaging Date and Averaging Date.

“**CMS Business Centre**” means the financial centre(s) specified as such in the relevant Issue Terms or, if none are so specified, (a) if the CMS Currency is GBP, London; (b) if the CMS Currency is USD, U.S. Government Securities Business Day; (c) if the CMS Currency is EUR, any financial centre(s) in which the TARGET System is operating; or (d) if the CMS Currency is any other currency, London.

“**CMS Business Day**” means a day (a) on which commercial banks and foreign exchange markets settle payments in each CMS Business Centre, and (b) if “U.S. Government Securities Business Day” is a CMS Business Centre, which is a U.S. Government Securities Business Day.

“**CMS Currency**” means the currency specified as such in the relevant Issue Terms.

“**CMS Designated Maturity**” means the maturity specified as such in the relevant Issue Terms.

“**CMS Determination Date**” means, in respect of a Reference Date or Averaging Reference Date, the date specified as such in the relevant Issue Terms.

“**CMS Rate**” has the meaning given to it in Rate Linked Asset Condition 1.1(c) (*CMS Rate Determination*).

“**CMS Reference Banks**” means the CMS Reference Banks Number of leading swap dealers in the CMS Relevant Interbank Market selected by the Calculation Agent.

“**CMS Reference Banks Number**” means the number specified as such in the relevant Issue Terms, or if no number is so specified, five.

“**CMS Reference Time**” means the time specified as such in the relevant Issue Terms or, if no time is so specified: (a) if the CMS Currency is GBP, 11.00 a.m. London time; (b) if the CMS Currency is USD, 11.00 a.m. New York time; or (c) if the CMS Currency is EUR, 11.00 a.m. Brussels time.

“**CMS Relevant Interbank Market**” means the interbank market in the jurisdiction specified in the relevant Issue Terms or, if no jurisdiction is so specified, (a) if the CMS Currency is euro, the Eurozone interbank market, (b) if the CMS Currency is U.S. dollars, New York City or (c) otherwise, London.

“**CMS Screen Page**” means the screen page specified as such in the relevant Issue Terms, or any successor page as determined by the Calculation Agent.

“**Initial Averaging Date**” means, in respect of each Underlying Rate, each date specified as such in the relevant Issue Terms, or if such day is not an Underlying Rate Business Day, the immediately following Underlying Rate Business Day for such Underlying Rate.

“**Initial Setting Date**” means, in respect of each Underlying Rate, the date specified as such in the relevant Issue Terms, or if such day is not an Underlying Rate Business Day, the immediately following Underlying Rate Business Day for such Underlying Rate.

“**ISDA Master Agreement**” means the 1992 ISDA Master Agreement or the 2002 ISDA Master Agreement, as published by the International Swaps and Derivatives Association, Inc., and in respect of the Notes, as amended and supplemented up to and including the Issue Date for the first Tranche of the Notes.

“**ISDA Rate**” has the meaning given to it in Rate Linked Asset Condition 1.1(a) (*ISDA Determination*).

“**Observation Date**” means, in respect of each Underlying Rate, any date specified as such in the relevant Issue Terms, provided that, if any such date is not an Underlying Rate Business Day, the Observation Date shall be the immediately following Underlying Rate Business Day in respect of such Underlying Rate.

“**Reference Banks**” means: (a) in the case of a determination of GBP LIBOR, USD LIBOR, CHF LIBOR, JPY LIBOR or SONIA, the principal London office of four major banks in the London interbank market; (b) in the case of a determination of EURIBOR or EONIA, the principal Eurozone office of four major banks in the Eurozone interbank market; (c) in the case of a determination of BBSW, the principal Sydney office of the five financial institutions authorized to quote on the Reuters Screen BBSW Page; (d) in the case of a determination of CDOR, the principal Toronto office of four major Canadian Schedule 1 chartered banks; (e) in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong interbank market; (f) in the case of a determination of NIBOR, the principal Oslo office of four major banks in the Oslo interbank market; (g) in the case of a determination of SIBOR, the principal Singapore office of four major banks in the Singapore interbank market; (h) in the case of a determination of STIBOR, the principal Stockholm office of four major banks in the Stockholm interbank market; or (i) in the case of a determination of TIBOR, the principal Tokyo office of four major banks in the Tokyo interbank market, in each case selected by the Calculation Agent or as specified in the relevant Issue Terms.

“**Reference Date**” means, in respect of an Underlying Rate, each Initial Setting Date, Observation Date or Valuation Date, subject to adjustment in accordance with this Rate Linked Asset Condition 1 (*Rate Linked Notes*).

“**Reference Rate**” means: (a) the Sterling London interbank offered rate (“**GBP LIBOR**”); (b) the Dollar London interbank offered rate (“**USD LIBOR**”); (c) the Swiss Franc London interbank offered rate (“**CHF LIBOR**”); (d) the Yen London Interbank offered rate (“**JPY LIBOR**”); (e) the Eurozone interbank offered rate (“**EURIBOR**”); (f) the Australian Bank Bill Swap rate (“**BBSW**”); (g) the Canadian Dollar bankers acceptances rate (“**CDOR**”); (h) the Hong Kong interbank offered rate (“**HIBOR**”); (i) the Singapore dollars interbank offered rate (“**SIBOR**”); (j) the Stockholm interbank offered rate (“**STIBOR**”); (k) the Tokyo interbank offered rate (“**TIBOR**”); (l) the European overnight rate index average (“**EONIA**”); (m) Sterling overnight index average (“**SONIA**”); or (n) the Norwegian kroner interbank offered rate (“**NIBOR**”), for the designated maturity as specified in the relevant Issue Terms.

“**Reference Time**” means, in respect of any Valuation Date, Initial Setting Date, Averaging Date or Initial Averaging Date, the Valuation Time.

“**Relevant Interbank Market**” means: (a) if the Reference Rate is GBP LIBOR, USD LIBOR, CHF LIBOR, JPY LIBOR or SONIA, the London interbank market; (b) if the Reference Rate is EURIBOR or EONIA, the Eurozone interbank market; (c) if the Reference Rate is BBSW, the Sydney interbank market; (d) if the Reference Rate is CDOR, the Toronto interbank market; (e) if the Reference Rate is HIBOR, the Hong Kong interbank market; (f) if the Reference Rate is NIBOR, the Oslo interbank market; (g) if the Reference Rate is SIBOR, the Singapore interbank market; (h) if the Reference Rate is STIBOR, the Stockholm interbank market; or (i) if the Reference Rate is TIBOR, the Tokyo interbank market.

“**Relevant Screen Page**” means such page, section, caption, column or other part of a particular information service as may be specified in the relevant Issue Terms and any successor thereto as determined by the Calculation Agent in consultation with the Issuer.

“**Relevant Time**” means: (a) if the Reference Rate is GBP LIBOR, SONIA, USD LIBOR, CHF LIBOR or JPY LIBOR, approximately 11.00 a.m. (London time); (b) if the Reference Rate is EONIA, approximately 4.30 p.m. (Brussels time); (c) if the Reference Rate is EURIBOR, approximately 11.00 a.m. (Brussels time); (d) if the Reference Rate is BBSW, approximately 10.00 a.m. (Sydney time); (e) if the Reference Rate is CDOR, approximately 10.00 a.m. (Toronto time); (f) if the Reference Rate is HIBOR, approximately 11.00 a.m. (Hong Kong time); (g) if the Reference Rate is NIBOR, approximately 12.00 noon (Oslo time); (h) if the Reference Rate is SIBOR, approximately 11.00 a.m. (Singapore time); (i) if the Reference Rate is STIBOR, approximately 11.00 a.m. (Stockholm time); or (j) if the Reference Rate is TIBOR, approximately 11.00 a.m. (Tokyo time).

“**Screen Rate**” has the meaning given to it in Rate Linked Asset Condition 1.1(b)(i) (*Screen Rate Determination*).

“**U.S. Government Securities Business Day**” means any day except for a Saturday, Sunday or a day on which the Bond Market Association (or any successor organisation) recommends that the fixed income departments of its members be closed for the entire day for the purposes of trading in U.S. government securities.

“**Underlying Rate**” means each ISDA Rate, Screen Rate or CMS Rate specified as such in the relevant Issue Terms.

“**Underlying Rate<sub>1</sub>**” means the ISDA Rate, Screen Rate or CMS Rate specified as such in the relevant Issue Terms.

“**Underlying Rate<sub>2</sub>**” means the ISDA Rate, Screen Rate or CMS Rate specified as such in the relevant Issue Terms.

“**Underlying Rate Business Day**” means, in respect of an Underlying Rate, a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in each Underlying Rate Jurisdiction in respect of such Underlying Rate.

“**Underlying Rate Currency**” means, in respect of an Underlying Rate, the currency to which such Underlying Rate relates.

“**Underlying Rate Jurisdiction**” means, in respect of an Underlying Rate, the jurisdiction(s) specified as such in the relevant Issue Terms.

“**Valuation Date**” means, in respect of each Underlying Rate, each date specified as such in the relevant Issue Terms, or if such day is not an Underlying Rate Business Day, the immediately following Underlying Rate Business Day for such Underlying Rate.

“**Valuation Time**” means, unless specified otherwise in the relevant Issue Terms:

- (a) in respect of an Underlying Rate which is an ISDA Rate, the time determined in accordance with the relevant definition of the Floating Rate Option in the 2006 ISDA Definitions;
- (b) in respect of an Underlying Rate which is a Screen Rate, the Relevant Time; or
- (c) in respect of an Underlying Rate which is a CMS Rate, the CMS Reference Time.

## AC Chapter 2: Credit Linked Asset Conditions

*This chapter sets out additional terms and conditions that are only applicable to Credit Linked Notes.*

The following are the conditions (the “**Credit Linked Asset Conditions**“) that will apply to Credit Linked Notes. These Credit Linked Asset Conditions are subject to supplement or completion in accordance with the relevant Issue Terms and any applicable Payout Conditions. In the case of any inconsistency between these Credit Linked Asset Conditions and the Base General Conditions, these Credit Linked Asset Conditions will prevail.

Words and expressions defined or used in the relevant Issue Terms shall have the same meanings where used in these Credit Linked Asset Conditions unless the context otherwise requires or unless otherwise stated. All capitalised terms that are not defined in these Credit Linked Asset Conditions or elsewhere in the Base Conditions applicable to the Credit Linked Notes will have the meanings given to them in the relevant Issue Terms. References in these Credit Linked Asset Conditions to “Credit Linked Notes” are to the Credit Linked Notes of one Series only, not to all Credit Linked Notes that may be issued under the Programme.

## 2 Credit Linked Notes

### 2.1 Redemption of Credit Linked Notes

#### 2.1.1 Redemption on the Maturity Date

Unless the Credit Linked Notes have been previously redeemed or purchased and cancelled by the Bank, provided that a Relevant Credit Event has not occurred and subject to Maturity Date Extension pursuant to Credit Linked Asset Condition 2.3 (*Maturity Date Extension*), the Credit Linked Notes shall be redeemed in full on the Scheduled Maturity Date.

#### 2.1.2 Redemption following the occurrence of a Credit Event

Unless the Credit Linked Notes have been previously redeemed or purchased and cancelled as provided for in the Conditions, if a Relevant Credit Event and a Relevant Event Determination Date has occurred, the Bank will redeem the Credit Linked Notes (or, with respect to Linear Basket Notes, and/or if the Credit Event is an M(M)R Restructuring Credit Event, the Applicable Portion thereof) as follows:

- (a) if “Cash Redemption” is specified as the Credit Event Redemption Method in the relevant Issue Terms (or if “Cash Redemption” is specified as the Fallback Redemption Method and Credit Linked Asset Condition 2.5 (*Auction Redemption Terms*) requires that the Bank redeems the Notes in accordance with Credit Linked Asset Condition 2.7 (*Cash Redemption Terms*)), by payment of, in the case of Notes to which Credit Payment on Maturity does not apply, the Cash Redemption Amount on the relevant Cash Redemption Date and, in the case of Notes to which Credit Payment on Maturity applies, the Final Cash Redemption Amount on the Final Cash Redemption Date in accordance with Credit Linked Asset Condition 2.7 (*Cash Redemption Terms*);
- (b) if “Physical Redemption” is specified as the Credit Event Redemption Method in the relevant Issue Terms (or if “Physical Redemption” is specified as the Fallback Redemption Method and Credit Linked Asset Condition 2.5 (*Auction Redemption Terms*) requires that the Bank redeems the Notes in accordance with Credit Linked Asset Condition 2.6 (*Physical Redemption Terms*)), by Delivery of the Physical Redemption Assets by the relevant Physical Redemption Date and payment of the Portfolio Shortfall Proceeds in accordance with Credit Linked Asset Condition 2.6 (*Physical Redemption Terms*);

- (c) If “Auction Redemption” is specified as the Credit Event Redemption Method in the relevant Issue Terms, by payment of, in the case of Notes to which Credit Payment on Maturity does not apply, the Auction Redemption Amount on the relevant Auction Redemption Date and, in the case of Notes to which Credit Payment on Maturity applies, the Final Auction Redemption Amount on the Final Auction Redemption Date;
- (d) if “Cash or Physical Redemption” is specified as the Credit Event Redemption Method in the relevant Issue Terms, as set out in sub-paragraph (a) or (b) of this Credit Linked Asset Condition 2.1.2 at the option of the Bank in its sole and absolute discretion and notified to Noteholders; or
- (e) if “Cash or Physical Redemption or Auction Redemption” is specified as the Credit Event Redemption Method in the relevant Issue Terms, as set out in sub-paragraph (a), (b) or (c) of this Credit Linked Asset Condition 2.1.2 at the option of the Bank in its sole and absolute discretion and notified to Noteholders,
- (f) if “Principal Protected Redemption” is specified as the Credit Event Redemption Method in the relevant Issue Terms, the provisions of Credit Linked Asset Condition 2.11 (*Principal Protected Redemption Terms*) shall apply; or
- (g) if “Fixed Recovery Redemption” is specified as the Credit Event Redemption Method in the relevant Issue Terms, the provisions of Credit Linked Asset Condition 2.12 (*Fixed Recovery Redemption Terms*) shall apply,

in each case subject to Credit Linked Asset Condition 2.10 (*Effect of DC Announcements*).

Upon discharge by the Bank of its payment or delivery obligations on the Cash Redemption Date or Auction Redemption Date (or, if the relevant Cash Redemption Amount or the Auction Redemption Amount is zero, upon the occurrence of the Cash Redemption Date or Auction Redemption Date, as applicable) or by the Physical Redemption Date or, in the case of Notes to which Credit Payment on Maturity applies, on the Final Cash Redemption Date or Final Auction Redemption Date, as the case may be, pursuant to Credit Linked Asset Condition 2.5 (*Auction Redemption Terms*), 2.6 (*Physical Redemption Terms*) or 2.7 (*Cash Redemption Terms*), as applicable, or as otherwise provided herein, the Bank’s obligations in respect of the Applicable Portion of the Notes shall be discharged in full.

### 2.1.3 Credit Event Notice and Notice of Publicly Available Information

- (a) If a Credit Event Notice and, if applicable, a Notice of Publicly Available Information is required to be delivered for an Event Determination Date to occur, the Bank shall deliver a Credit Event Notice and, if applicable, a Notice of Publicly Available Information to the Fiscal Agent and the Fiscal Agent will deliver a copy of the Credit Event Notice and, if applicable, the Notice of Publicly Available Information to the Noteholders in accordance with Base General Condition 16 (*Notices*) (provided that failure to deliver a copy of such Credit Event Notice and/or such Notice of Publicly Available Information to the Noteholders shall not affect the effectiveness of the Credit Event Notice and/or the Notice of Publicly Available Information, as determined by the Bank and/or the Calculation Agent, or the rights of the Bank to redeem the Credit Linked Notes (or, with respect to the Linear Basket Notes, or if the Credit Event is an M(M)R Restructuring Credit Event, the Applicable Proportion thereof)).
- (b) If a Credit Event Notice is not required to be delivered in order for an Event Determination Date to occur, then the Bank shall give written notice not less than five Business Days prior to the date for redemption of the Notes (or a portion thereof) containing the same information required to be included in a Credit Event Notice to the Fiscal Agent and the Fiscal Agent will deliver a copy of such notice to the Noteholders

in accordance with Base General Condition 16 (*Notices*) (provided that any failure to give such notice to the Fiscal Agent or Noteholders shall not affect any determinations made by the Bank and/or the Calculation Agent or the rights of the Bank to redeem the Credit Linked Notes (or, with respect to the Linear Basket Notes, or if the Credit Event is an M(M)R Restructuring Credit Event, the Applicable Proportion thereof)).

- (c) The Calculation Agent's determination of a Credit Event will, in the absence of manifest error and subject to the definition of "Event Determination Date", be conclusive and binding on all persons (including, without limitation, the Fiscal Agent and each Noteholder).
- (d) None of the Bank, the Calculation Agent, the Fiscal Agent and the Paying Agents will have any liability whatsoever for the failure of the Calculation Agent for any reason to determine that a Credit Event has occurred or with respect to the Bank's timing as to when to deliver a Credit Event Notice (or any such other notice required to be delivered by the Bank to the Fiscal Agent, the Noteholder(s) or any other party in accordance with these Credit Linked Asset Conditions including a Notice of Publicly Available Information or Notice of Physical Settlement) nor will they have any duty or responsibility to investigate or check whether any Credit Event has, or may have, occurred or may be continuing. In addition, the failure of the Bank or the Fiscal Agent to deliver the Credit Event Notice shall not affect the effectiveness of any determination made, or any other notice delivered, by the Bank or the Calculation Agent in respect of a relevant Reference Entity.

#### **2.1.4 Relevant Time**

- (a) Subject to Credit Linked Asset Condition 2.18 (*Notices*) and sub-paragraph (b) of this Credit Linked Asset Condition 2.1.4, in order to determine the day on which an event occurs for purposes of these Credit Linked Asset Conditions, the demarcation of days shall be made by reference to Greenwich Mean Time (or Tokyo time if the Calculation Agent determines that Tokyo time is the market convention with respect to the relevant Reference Entity), irrespective of the time zone in which such event occurred. Any event occurring at midnight shall be deemed to have occurred immediately prior to midnight.
- (b) Notwithstanding the definition of "Credit Event Notice" and sub-paragraph (a) of this Credit Linked Asset Condition 2.1.4, if a payment is not made by the Reference Entity on its due date or, as the case may be, on the final day of the relevant Grace Period, then such failure to make a payment shall be deemed to have occurred on such day prior to midnight Greenwich Mean Time (or Tokyo time if the Calculation Agent determines that Tokyo time is the market convention with respect to the relevant Reference Entity), irrespective of the time zone of its place of payment.

## **2.2 Interest on Credit Linked Notes**

### **2.2.1 Accrual of Interest**

Provided that a Relevant Event Determination Date has not occurred in respect of a Reference Entity during the Notice Delivery Period and on or prior to the Scheduled Maturity Date then, subject to Credit Linked Asset Condition 2.2.2 (*Suspension of Interest following an Applicable DC Credit Event Question*), interest (if any) shall accrue on the Credit Linked Notes in accordance with Base General Condition 5 (*Interest and other Calculations*) (as completed by the relevant Issue Terms).

### **2.2.2 Suspension of Interest following an Applicable DC Credit Event Question**

Subject to Credit Linked Asset Conditions 2.2.3 (*Payment of Suspended Interest*) and 2.2.4 (*Payment of Interest – M(M)R Restructuring Credit Event*), if, an Applicable DC Credit Event

Question is made on or prior to any Interest Payment Date in respect of which a DC Resolution has not been published, the payment of interest (if any) in respect of the Notes (or, if the Notes are Linear Basket Notes, the Applicable Proportion of the Credit Linked Notes) scheduled to be paid to Noteholders on or about such Interest Payment Date, will be suspended.

### 2.2.3 Payment of Suspended Interest

- (a) If, in connection with an Applicable DC Credit Event Question, either (i) an Applicable DC Credit Event Announcement is made but the Calculation Agent determines that the Event Determination Date relating thereto is a date falling after such Interest Payment Date, or (ii) an Applicable DC No Credit Event Announcement or an Applicable DC Credit Question Dismissal is made, payment of the suspended interest will be made five Business Days after the date the Event Determination Date is so determined or the date of the Applicable DC No Credit Event Announcement or Applicable DC Credit Question Dismissal, as applicable.
- (b) If, in connection with an Applicable DC Credit Event Question, an Applicable DC Credit Event Announcement is made and the Calculation Agent determines that the Event Determination Date relating thereto is a date falling on or prior to such Interest Payment Date, no payment of the suspended interest will be made and the accrual of interest prior to such Interest Payment Date will be determined in accordance with Credit Linked Asset Condition 2.2.5 (*Accrual of Interest on Credit Event*).
- (c) No additional amount in respect of interest and no adjustment shall be made to the amount of any interest in connection with the delay or postponement of any payment of interest pursuant to Credit Linked Asset Condition 2.2.2 (*Suspension of Interest following an Applicable DC Credit Event Question*). For the avoidance of doubt, no interest shall accrue on any Note after the Scheduled Maturity Date. The Bank shall endeavour to give notice to the Noteholders in accordance with Base General Condition 16 (*Notices*) as soon as reasonably practicable should any payment of interest be suspended and/or postponed pursuant to this Credit Linked Asset Condition 2.2.

### 2.2.4 Payment of Interest – M(M)R Restructuring Credit Event

If, in connection with an Applicable DC Credit Event Question, an Applicable DC Credit Event Announcement is made and the Credit Event is an M(M)R Restructuring Credit Event:

- (a) save for the portion of suspended interest relating to the Applicable Proportion of the Notes, payment of the remaining portion of suspended interest will be made five Business Days after the date on which the relevant Credit Event Notice is delivered; and
- (b) payment of the portion of suspended interest relating to the Applicable Proportion of the Notes will be not be made and the accrual of interest relating to the Applicable Proportion of the Notes prior to such Interest Payment Date will be determined in accordance with Credit Linked Asset Condition 2.2.5 (*Accrual of Interest on Credit Event*).

### 2.2.5 Accrual of Interest on Credit Event

If a Relevant Event Determination Date has occurred in respect of a Reference Entity during the Notice Delivery Period but prior to the Scheduled Maturity Date then, notwithstanding anything to the contrary in Base General Condition 5 (*Interest and other Calculations*), interest will cease to accrue on the Credit Linked Notes (or, if the Notes are Linear Basket Notes or if the Credit Event is an M(M)R Restructuring Credit Event, on the Applicable Proportion of the Credit Linked Notes) as at the earlier to occur of the day prior to:

- (a) the Scheduled Maturity Date; and



- (b)
- (i) if “Credit Event Accrued Interest” is specified in the relevant Issue Terms as not applicable, the Interest Payment Date (or Issue Date where no Interest Payment Date has occurred) occurring on or immediately preceding the Relevant Event Determination Date; or
  - (ii) if “Credit Event Accrued Interest” is specified in the relevant Issue Terms as applicable, the Relevant Event Determination Date.

If “Credit Event Accrued Interest” is specified as applicable in the relevant Issue Terms, the interest accrued between (x) the Interest Payment Date occurring immediately preceding the Relevant Event Determination Date and (y) the Scheduled Maturity Date or the Relevant Event Determination Date (as applicable) shall be payable on the earlier of (i) the Interest Payment Date immediately following the Relevant Event Determination Date and (ii) the Scheduled Maturity Date, the Auction Redemption Date, the Physical Redemption Date or the Cash Redemption Date (as applicable). For the avoidance of doubt, interest (if any) shall, in the case of Linear Basket Notes only, continue to accrue on the remaining portion of the Linear Basket Notes then outstanding.

#### **2.2.6 Accrual of Interest on Credit Event – Credit Payment on Maturity**

If Credit Payment on Maturity applies and a Relevant Event Determination Date has occurred in respect of a Reference Entity during the Notice Delivery Period but prior to the Scheduled Maturity Date then, notwithstanding that the Final Cash Redemption Amount or the Final Auction Redemption Amount shall be payable on the Final Cash Redemption Date or Final Auction Redemption Date (as applicable), interest shall cease to accrue on the Applicable Proportion of the Credit Linked Notes in accordance with Credit Linked Asset Condition 2.2.5 (*Accrual of Interest on Credit Event*). Where Credit Payment on Maturity applies, following the occurrence of a Credit Event, if the Scheduled Maturity Date is defined in the relevant Issue Terms by reference to an Interest Payment Date, then the Scheduled Maturity Date shall be the date which would have been such Interest Payment Date notwithstanding that due to the occurrence of a Credit Event interest has ceased to accrue in accordance with Credit Linked Asset Condition 2.2.5 (*Accrual of Interest on Credit Event*).

#### **2.2.7 Adjustment Payment**

If, in accordance with the provisions above, following the determination of an Event Determination Date, such Event Determination Date is deemed either to have occurred on a date that is different from the date that was originally determined to be the Event Determination Date or not to have occurred, or an Event Determination Date is deemed to have occurred prior to a preceding Interest Payment Date, the Calculation Agent will determine (a) the adjustment payment, if any, that is payable to reflect any change that may be necessary to the amount previously calculated and/or paid in respect of the relevant Series and (b) the date in which such adjustment payment is payable, if any. For the avoidance of doubt, no accruals of interest shall be taken into account when calculating any such adjustment payment.

### **2.3 Maturity Date Extension**

- 2.3.1 Where the Calculation Agent determines on or prior to the Scheduled Maturity Date, in its sole and absolute discretion, that one or more Reference Entities is or may be subject to (a) a Credit Event, (b) if “Grace Period Extension” is specified as being applicable in the relevant Issue Terms, a Potential Failure to Pay or, (c) if “Repudiation/Moratorium” is specified as being applicable in the relevant Issue Terms, a Potential Repudiation/Moratorium, it shall notify the Fiscal Agent and the Credit Linked Notes then outstanding shall not be redeemed on the Scheduled Maturity Date but shall be redeemed instead on the Extended Maturity Date.

- 2.3.2 If any amount is payable on the Scheduled Maturity Date of a Credit Linked Note to which the provisions of Credit Linked Asset Condition 2.3.1 apply, such amount shall fall due on the Extended Maturity Date and shall be payable without any interest or other sum payable in respect of the postponement of the payment of such amount.

## 2.4 Credit Event Notice after M(M)R Restructuring

### 2.4.1 M(M)R Restructuring Credit Event

Upon the occurrence of an M(M)R Restructuring, the Bank may deliver multiple Credit Event Notices with respect to such M(M)R Restructuring Credit Event, each such Credit Event Notice setting forth the amount of the Aggregate Nominal Amount of the Credit Linked Notes to which such Credit Event Notice applies which may be less than the Aggregate Nominal Amount of such Credit Linked Note or if the Notes are Linear Basket Notes, may be less than the Reference Entity Notional Amount of the affected Reference Entity (the aggregate of such amounts with respect to a Series, the “**Exercise Amount**”); provided that if the Credit Event Notice does not specify an Exercise Amount, then either (a) the Aggregate Nominal Amount of the Credit Linked Notes outstanding immediately prior to the delivery of such Credit Event Notice or (b) if the Notes are Linear Basket Notes, the relevant Reference Entity Notional Amount outstanding in respect of the affected Reference Entity, (and, in either case, not a portion thereof) will be deemed to have been specified as the Exercise Amount. Accordingly, notwithstanding anything to the contrary in these Credit Linked Asset Conditions, where an M(M)R Restructuring Credit Event has occurred and the Bank has delivered a Credit Event Notice for an Exercise Amount that is less than (i) the Aggregate Nominal Amount of the Notes, or (ii) the Reference Entity Notional Amount outstanding in respect of the affected Reference Entity, in each case as at the date immediately prior to the delivery of such Credit Event Notice, as applicable, the provisions of these Credit Linked Asset Conditions shall be deemed to apply to a principal amount of the Notes equal to the Exercise Amount only and all the provisions shall be construed accordingly;

### 2.4.2 Redemption of Notes following partial exercise

If the Bank has delivered a Credit Event Notice in respect of an M(M)R Restructuring that specifies an Exercise Amount that is less than the Aggregate Nominal Amount of the Credit Linked Notes and (other than in the case of Linear Basket Notes) only one Reference Entity is specified for the Credit Linked Notes (or, with respect to Linear Basket Notes only, in relation to a Reference Entity that specifies an Exercise Amount that is less than such Reference Entity’s Reference Entity Notional Amount), then:

- (a) the relevant provisions of Credit Linked Asset Condition 2.5 (*Auction Redemption Terms*), 2.6 (*Physical Redemption Terms*) or 2.7 (*Cash Redemption Terms*) relating to Redemption of Credit Linked Notes shall apply to the Exercise Amount, including for the purposes of calculating the Auction Redemption Amount, the Cash Redemption Amount or the Physical Redemption Assets to be Delivered to Noteholders. In such circumstances, the Calculation Agent may adjust such provisions of the Credit Linked Asset Conditions and/or relevant Issue Terms as it determines appropriate to take account of this Credit Linked Asset Condition 2.4, including the basis of the calculation of any Auction Redemption Amount, Cash Redemption Amount or the Physical Redemption Assets to be Delivered to Noteholders;
- (b) following any payment of an Auction Redemption Amount, Cash Redemption Amount or Delivery of the Physical Redemption Assets to Noteholders or any other determination made in respect of any Exercise Amount, the Reference Entity Notional Amount for the relevant Reference Entity shall be reduced by an amount equal to the Exercise Amount (and for the avoidance of doubt, the aggregate of the Reference Entity

Notional Amounts shall be reduced accordingly). The Notes in an amount equal to the Aggregate Nominal Amount or the relevant Reference Entity Notional Amount, as applicable, less the Exercise Amount shall remain outstanding (the “**Outstanding Amount**”) and interest (if applicable) shall accrue on the Outstanding Amount as provided for in Base General Condition 5 (*Interest and other Calculations*) and the Bank may thereafter deliver one or more further Credit Event Notices in respect of such Outstanding Amount to which the Credit Linked Asset Conditions shall continue to apply; and

- (c) the Calculation Agent may adjust the provisions of these Credit Linked Asset Conditions and/or the relevant Issue Terms in such manner as it may determine to be appropriate to account for such event.
- 2.4.3 If the provisions of this Credit Linked Asset Condition 2.4.3 apply in respect of the Credit Linked Notes, on any redemption of part of each such Credit Linked Note, the relevant Credit Linked Note or, if the Credit Linked Notes are represented by a Global Note, such Global Note, shall be endorsed to reflect such part redemption.
- 2.4.4 Other than in respect of a Linear Basket Note or a Credit Linked Note where there is more than one Reference Entity, the Exercise Amount in connection with a Credit Event Notice describing an M(M)R Restructuring must be an amount that is at least 1,000,000 units of the Settlement Currency (or, if Japanese Yen, 100,000,000 units) and an integral multiple thereof or the Aggregate Nominal Amount of the Credit Linked Notes or, if the Notes are Linear Basket Notes, the Outstanding Amount in respect of the Reference Entity Notional Amount of the affected Reference Entity.

## 2.5 Auction Redemption Terms

### 2.5.1 Redemption of the Credit Linked Notes where Auction Redemption applies

Notwithstanding anything to the contrary in Base General Condition 7 (*Redemption, Purchase and Options*) and unless previously redeemed or purchased and cancelled, if “Auction Redemption” is specified as the Credit Event Redemption Method in the relevant Issue Terms (or if “Cash or Physical or Auction Redemption” is specified in the relevant Issue Terms and Auction Redemption is selected by the Bank), following the occurrence of a Relevant Event Determination Date, then:

- (a) Subject to sub-paragraph (b) of this Credit Linked Asset Condition 2.5.1, the Bank shall, subject as aforesaid, redeem:
  - (i) each Note in whole at the Auction Redemption Amount; or
  - (ii) if the Notes are Linear Basket Notes, (A) a portion of the principal amount of each Note equal to the Applicable Proportion determined by reference to the Reference Entity Notional Amount of the Reference Entity in respect of which the Credit Event occurred on the relevant Auction Cash Redemption Date at the Auction Redemption Amount, and (B) the remaining portion of each Note at its *pro rata* Final Redemption Amount on the Scheduled Maturity Date; or
  - (iii) if the Credit Event is an M(M)R Restructuring Credit Event, (A) a portion of the principal amount of each Note equal to the Applicable Proportion determined by reference to the Exercise Amount specified in the Credit Event Notice relating to the relevant Credit Event on the relevant Auction Redemption Date at the Auction Redemption Amount, and (B) the remaining portion of each Note at its *pro rata* Final Redemption Amount on the Scheduled Maturity Date; and

- (b) in the case of Notes to which Credit Payment on Maturity applies, the Bank shall redeem each Note in whole on the later to occur of (i) the Auction Redemption Date in respect of the relevant Reference Entity and Credit Event and (ii) the Scheduled Maturity Date (the “**Final Auction Redemption Date**”) at the Final Auction Redemption Amount.

Payment by the Bank of the Auction Redemption Amount shall fully and effectively discharge the Bank’s obligation to redeem the Applicable Proportion of the relevant Note and payment by the Bank of the Final Auction Redemption Amount shall fully and effectively discharge the Bank’s obligation to redeem the entirety of the relevant Note.

### 2.5.2 Fallback Redemption

Without prejudice to the foregoing, but without duplication of settlement, if the Calculation Agent determines:

- (a) except where the Bank delivers a Notice to Exercise Movement Option to the Fiscal Agent on or prior to the Movement Option Cut-off Date pursuant to Credit Linked Asset Condition 2.5.3 (*Movement Option*), that with respect to a Credit Event, no Applicable Auction is being, or will be, held; or
- (b) with respect to a Credit Event and any relevant Applicable DC Credit Event Question, Applicable Resolution and/or Applicable Auction, that (i) an Auction Cancellation Date has occurred, (ii) a No Auction Announcement Date has occurred (and, in circumstances where such No Auction Announcement Date occurs pursuant to sub-paragraph (b) or sub-paragraph (c)(ii) under the definition of “No Auction Announcement Date”, the Calculation Agent has not exercised the Movement Option), (iii) a DC Credit Event Question Dismissal occurs or (iv) a Relevant Event Determination Date was determined pursuant to sub-paragraph (a) of the definition of “Event Determination Date” or pursuant to sub-paragraph (a) of the definition of “Non-Standard Event Determination Date”, and no Credit Event Resolution Request Date has occurred on or prior to the date falling three Business Days after such Relevant Event Determination Date, or (v) a Relevant Event Determination Date was determined pursuant to sub-paragraph (b)(ii)(B)(II)(2) of the definition of “Non-Standard Event Determination Date”,

then, the Fallback Redemption Method shall apply and the Bank shall redeem each Note in accordance with Credit Linked Asset Condition 2.7 (*Cash Redemption Terms*) (if “Cash Redemption” is specified in the relevant Issue Terms as the Fallback Redemption Method) or in accordance with Credit Linked Asset Condition 2.6 (*Physical Redemption Terms*) if “Physical Redemption” is specified in the relevant Issue Terms as the Fallback Redemption Method).

### 2.5.3 Movement Option

If “Mod R” or “Mod Mod R” is specified in the relevant Issue Terms and the Calculation Agent determines in respect of a Restructuring Credit Event that a No Auction Announcement Date has occurred pursuant to sub-paragraph (b) of the definition of “No Auction Announcement Date”, the Bank may elect in its sole and absolute discretion to deliver a Notice to Exercise Movement Option to the Calculation Agent at any time on or prior to the Movement Option Cut-off Date. If a Notice to Exercise Movement Option is so delivered, then provided that the related Event Determination Date is not reversed on or prior to the relevant Auction Redemption Date, redemption of the Credit Linked Notes (or, if the Credit Linked Notes are Linear Basket Notes or if the Credit Event is an M(M)R Restructuring Credit Event, the Applicable Proportion of the Credit Linked Notes), shall take place by payment by the Bank of the Auction Redemption Amount on the Auction Redemption Date (or, if Credit Payment on Maturity applies, by payment of the Final Auction Redemption Amount on the Final Auction Redemption Date), for which purposes the Auction Redemption Amount and the Auction Redemption Date shall be determined by reference to the relevant Parallel Auction identified by

the Bank in the Notice to Exercise Movement Option. If a Notice to Exercise Movement Option is delivered by the Bank, all references in these Credit Linked Asset Conditions to “Applicable Auction”, “Applicable Auction Settlement Terms”, “Auction Cancellation Date” and “Auction Final Price Determination Date” shall be deemed to be references to the “Parallel Auction”, “Parallel Auction Settlement Terms” and “Parallel Auction Cancellation Date” and the terms of these Credit Linked Asset Conditions shall be construed accordingly.

#### **2.5.4 Auction Final Price of the Asset Package**

If an Asset Package Credit Event has occurred and the Auction Final Price for the Applicable Auction reflects the entire relevant Asset Package in respect of the Prior Deliverable Obligation(s) or Package Observable Bond(s) (as applicable) (including any cash forming part of the Asset Package and the Asset Market Value of any Non-Financial Instrument or Non-Transferable Instrument), the Auction Redemption Amount or Final Auction Redemption Amount shall be determined using the Auction Final Price. If the Calculation Agent determines that the Auction Final Price does not reflect the price of the entire relevant Asset Package, as determined above, the Calculation Agent shall make such adjustment to the Auction Final Price and/or the Auction Redemption Amount or Final Auction Redemption Amount in its sole and absolute discretion as it deems necessary to reflect the value of the Asset Package and to preserve the economic effects of the terms of the Notes and for such purposes the Calculation Agent may take into account any method of determining the Asset Market Value of any Asset that is a Non-Transferable Instrument or a Non-Financial Instrument forming part of the Asset Package but that has not been taken into in the Auction Final Price that may be published by the DC Secretary.

#### **2.5.5 Notice of Auction Redemption Amount**

Following the determination of the Auction Redemption Amount or the Final Auction Redemption Amount (as applicable) with respect to any Credit Linked Notes subject to the terms set out herein, the Bank shall, or may cause the Fiscal Agent to, deliver a notice in accordance with Base General Condition 16 (*Notices*) to the Noteholders specifying the Auction Redemption Amount or the Final Auction Redemption Amount (as applicable) (including the Auction Final Price and, if applicable, Credit Event Unwind Costs) (provided that any failure to give such notice to the Fiscal Agent or Noteholders shall not affect any determinations made by the Bank and/or the Calculation Agent or the rights of the Bank to redeem the Credit Linked Notes (or, with respect to the Linear Basket Notes, the Applicable Proportion thereof)).

## **2.6 Physical Redemption Terms**

### **2.6.1 Delivery of Physical Redemption Assets**

- (a) Subject to Credit Linked Asset Condition 2.10 (*Effect of DC Announcements*) and notwithstanding anything to the contrary in Base General Condition 7 (*Redemption, Purchase and Options*), and unless previously redeemed or purchased and cancelled, if “Physical Redemption” is specified as the Credit Event Redemption Method in the relevant Issue Terms (or if “Cash or Physical Redemption” or “Cash or Physical or Auction Redemption” is specified in the relevant Issue Terms and Physical Redemption is selected by the Bank) or if “Physical Redemption” is applicable as Fallback Redemption Method and Credit Linked Asset Condition 2.5 (*Auction Redemption Terms*) requires that the Bank redeems the Notes in accordance with this Credit Linked Asset Condition 2.6 following the occurrence of a Relevant Event Determination Date, the Credit Linked Notes (or, if the Credit Linked Notes are Linear Basket Notes or if the Credit Event is an M(M)R Restructuring Credit Event, the Applicable Proportion thereof), shall, subject to and in accordance with this Credit Linked Asset Condition 2.6, be redeemed by, in respect of each Noteholder: (i) Delivery (at the risk of the relevant

Noteholder) of the Physical Redemption Assets on or prior to the Physical Redemption Date in accordance with Credit Linked Asset Condition 2.6.2 (*Physical Redemption Assets*); and (ii) payment of the Portfolio Shortfall Proceeds in accordance with Credit Linked Asset Condition 2.6.3 (*Portfolio Shortfall Proceeds*).

- (b) Upon Delivery of the Physical Redemption Assets and payment of any Portfolio Shortfall Proceeds and/or Partial Cash Redemption Amount to each Noteholder, the Bank's obligations in respect of the redemption of the Credit Linked Notes (or, if the Notes are Linear Basket Notes or if the Credit Event is an M(M)R Restructuring Credit Event, the Applicable Proportion thereof) shall be fully and effectively discharged. If the Notes are Linear Basket Notes or the Credit Event is an M(M)R Restructuring Credit Event, the remaining portion of each Note which is not so redeemed shall be redeemed on the Scheduled Maturity Date at its *pro rata* Final Redemption Amount, subject to the occurrence of a further Relevant Event Determination Date during the Notice Delivery Period.
- (c) In order for the Credit Linked Notes to be redeemed in accordance with this Credit Linked Asset Condition 2.6:
  - (i) the Bank shall deliver a Notice of Physical Settlement to the Fiscal Agent and the Fiscal Agent will deliver a copy of the Notice of Physical Settlement to the Noteholders in accordance with Base General Condition 16 (*Notices*) provided that any failure to deliver a copy of such Notice of Physical Settlement to the Noteholders shall not affect the effectiveness of the Notice of Physical Settlement, as determined by the Calculation Agent, or the rights of the Bank to redeem the Credit Linked Notes (or, if the Notes are Linear Basket Notes or if the Credit Event is an M(M)R Restructuring Credit Event, the Applicable Proportion thereof).

The Bank may, at any time, deliver to the Fiscal Agent a NOPS Amendment Notice in order to give notice that the Bank is replacing the Deliverable Obligations in the Notice of Physical Settlement or a prior NOPS Amendment Notice, as applicable and the Fiscal Agent will deliver a copy of the NOPS Amendment Notice to the Noteholders in accordance with Base General Condition 16 (*Notices*) provided that any failure to deliver such a copy of such NOPS Amendment Notice to the Noteholders shall not affect the effectiveness of the NOPS Amendment Notice, as determined by the Calculation Agent, or the rights of the Bank to redeem the Credit Linked Notes (or, if the Notes are Linear Basket Notes or if the Credit Event is an M(M)R Restructuring Credit Event, the Applicable Proportion thereof).

Moreover, the failure of the Bank or the Fiscal Agent to deliver a Notice of Physical Settlement or a NOPS Amendment Notice, as applicable, shall not affect the effectiveness of any determination made by the Bank or the Calculation Agent, or any other notice delivered by, the Bank in respect of a relevant Reference Entity.

- (ii) the relevant Noteholder shall deliver, prior to 5.00 p.m. (London time) on the 10th Business Day following the date of the Notice of Physical Settlement and, if relevant, any NOPS Amendment Notice, a duly completed notice in writing (a "**Deliverable Obligation Notice**");

- (A) specifying the Series number of the Notes and the aggregate nominal amount of the Notes which are the subject of the Deliverable Obligation Notice;
  - (B) including such details as are required for the transfer or assignment of the Physical Redemption Assets which may include account details and/or the name and address of any person(s) into whose name evidence of the Physical Redemption Assets is to be registered and/or any bank, broker or agent to whom documents evidencing the Physical Redemption Assets are to be delivered;
  - (C) specifying the name and number of the account which the Portfolio Shortfall Proceeds (if any) are to be credited;
  - (D) certifying, *inter alia*, that the beneficial owner of each Note is not a U.S. person (as defined in the Deliverable Obligation Notice) or a person who purchased such Note for resale to U.S. persons, that the Note is not being redeemed within the United States or on behalf of a U.S. person and no cash, notes or other property have been or will be delivered within the United States or to, or for the account or benefit of, a U.S. person in connection with any redemption thereof;
  - (E) authorising the production of such certification in any applicable administrative or legal proceedings, all as provided in the Agency Agreement;
  - (F) if the Credit Linked Notes are in bearer form, including or accompanied by evidence, satisfactory to the Calculation Agent, of the ownership of the Credit Linked Notes by the relevant Noteholder; and
  - (G) if the Credit Linked Notes are in definitive form, including or accompanied by the definitive Credit Linked Notes.
- (d) Forms of the Deliverable Obligation Notice may be obtained during normal office hours from the Fiscal Agent.
- (e) If the relevant definitive Credit Linked Notes (if they are then so represented) and the Deliverable Obligation Notice are not delivered in accordance with this provision, the obligations of the Bank to commence procuring the delivery of the Physical Redemption Assets and the payment of the Portfolio Shortfall Proceeds (if any) to such Noteholder shall, subject to Credit Linked Asset Conditions 2.6.1 (*Delivery of Physical Redemption Assets*), 2.6.3 (*Portfolio Shortfall Proceeds*) and 2.10 (*Effect of DC Announcements*) be deferred until the third Business Day following the date on which such Noteholder delivers the Deliverable Obligation Notice and relevant definitive Credit Linked Notes (if they are then so represented). The relevant Noteholder shall not be entitled to any payment, whether of interest or otherwise, in the event of such deferred delivery and payment.
- (f) If the holder of any such Credit Linked Note fails to deliver a Deliverable Obligation Notice or the Bank is unable to obtain details for the transfer or assignment the delivery of the Physical Redemption Assets and the payment of the Portfolio Shortfall Proceeds (if any) from the person nominated by the Noteholder in accordance with sub-paragraph (c) of this Credit Linked Asset Condition 2.6.1 in the manner and on the dates specified in this Credit Linked Asset Condition 2.6.1 by the 90<sup>th</sup> calendar day following the date of the Notice of Physical Settlement or, if relevant, the last NOPS Amendment Notice, if

“Fallback Cash Redemption” is specified to apply in the relevant Issue Terms, the Bank shall apply “Cash Redemption” pursuant to the fallback cash redemption terms in Credit Linked Asset Condition 2.6.10 (*Partial Cash Redemption Terms and Fallback Cash Redemption Terms*) with respect to the Physical Redemption Assets that have not been transferred or assigned and if “Fallback Cash Redemption” is not specified to apply in the relevant Issue Terms, the Bank shall have no further liability or obligation whatsoever in respect of such Credit Linked Note.

- (g) No Deliverable Obligation Notice may be withdrawn after receipt thereof by Clearstream, Luxembourg or Euroclear (as applicable) or the Fiscal Agent, as the case may be, as provided above. After delivery of a Deliverable Obligation Notice, the relevant Noteholder may not transfer the Credit Linked Notes which are the subject of such notice.
- (h) Failure to properly complete and deliver a Deliverable Obligation Notice may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided in these Credit Linked Asset Conditions shall be made by the Bank, and shall be conclusive and binding on the relevant Noteholder.
- (i) Delivery of the Physical Redemption Assets and payment of the Portfolio Shortfall Proceeds (if any) in respect of each Noteholder shall be made by the Bank pursuant to the details specified in the applicable Deliverable Obligation Notice.
- (j) If the Physical Redemption Assets include a Deliverable Obligation which is a Loan, the Noteholders agree to comply, for the purposes of settlement of the relevant Credit Linked Notes, with the provisions of any documentation (which term shall be deemed to include any market advisory that the relevant Credit Derivatives Determinations Committee Resolves to approve for such purposes) that the relevant Credit Derivatives Determinations Committee Resolves constitutes documentation customarily used in the relevant market for delivery of such Loan at that time, as such documentation may be amended to the extent that the relevant Credit Derivatives Determination Committee Resolves is appropriate, which is consistent with the payment and delivery obligations of the parties hereunder. The Noteholders further agree that compliance by the Bank and the Noteholders with the provisions of any such documentation shall be required for, and, without further action, constitute, delivery for the purposes of this Credit Linked Asset Condition 2.6.1 (to the extent that such documentation contains provisions describing how delivery should be effected).

### **2.6.2 Physical Redemption Assets**

Subject to the rest of this Credit Linked Asset Condition 2.6.2, the Bank may only Deliver the Deliverable Obligations specified in the Notice of Physical Settlement or NOPS Amendment Notice, as applicable, and only in the amounts specified therein.

Until the date on which the Physical Redemption Assets have been fully Delivered, the Bank or any other person (whether or not on behalf of the Bank) may continue to be the legal owner of the Deliverable Obligations comprising the Physical Redemption Assets which it is not possible, practical or legal to deliver. None of the Bank nor any such other person will (a) be under any obligation to deliver or procure delivery to the relevant Noteholder or any other person any letter, certificate, notice, circular or any other document or payment whatsoever received by the Bank or that person in its capacity as legal owner of such Deliverable Obligations, (b) be under any obligation to exercise or procure exercise of any or all rights (including voting rights) attaching to such Deliverable Obligations comprising the Physical Redemption Assets until the date on which the Physical Redemption Assets have been fully



Delivered, (c) be under any liability to such Noteholder or any other person in respect of any loss or damage which such Noteholder or other person may sustain or suffer as a result, whether directly or indirectly, of the Bank or any person (whether or not on behalf of the Bank) being the legal owner of such Deliverable Obligations comprising the Physical Redemption Assets until the date on which the Physical Redemption Assets have been fully Delivered, or (d) have any liability whatsoever to such Noteholder or any other person if, as a result of a Redemption Failure Event or for any other reason whatsoever (including without limitation Credit Linked Asset Conditions 2.6.3 (*Portfolio Shortfall Proceeds*) to 2.6.9 (*Alternative Procedures Relating to Loans not Delivered*)), it is unable to effect Delivery of any Deliverable Obligations comprising the Physical Redemption Assets and its obligations hereunder are satisfied by partial cash settlement or fallback cash redemption (if applicable) or are deemed to be fully discharged in accordance with the Credit Linked Asset Conditions.

### **2.6.3 Portfolio Shortfall Proceeds**

If all or any part of the Physical Redemption Assets that would, but for this Credit Linked Asset Condition 2.6.3, be required to be Delivered to a Noteholder is not a whole integral multiple of the smallest unit of transfer for any such Physical Redemption Assets at the relevant time of Delivery, as determined by the Bank, the Bank will Deliver and such Noteholder will only be entitled to receive the portion of the Physical Redemption Assets specified by the Bank which is closest to but less than the full Physical Redemption Assets, after consideration of such smallest unit or units of transfer (such portion of the Physical Redemption Assets that is not so Delivered to such Noteholder, the “**Portfolio Delivery Shortfall**”). The Bank shall, as soon as reasonably practicable (which may, for the avoidance of doubt, be after the Physical Redemption Date), liquidate the portion of the Physical Redemption Assets corresponding to the Portfolio Delivery Shortfall and pay to such Noteholder the liquidation proceeds (such proceeds, the “**Portfolio Shortfall Proceeds**”) on or before the tenth Business Day following receipt of the last instalment of the Portfolio Shortfall Proceeds.

### **2.6.4 Election to deliver alternative amount of Deliverable Obligations**

Notwithstanding anything to the contrary in Credit Linked Asset Condition 2.6.1 (*Delivery of Physical Redemption Assets*) or 2.6.3 (*Portfolio Shortfall Proceeds*), the Bank may elect to Deliver to Noteholders Deliverable Obligations with an Outstanding Principal Balance or a Due and Payable Amount, as applicable (or the equivalent Currency Amount of any such amount), that is (a) greater than, or (b) less than, what the Noteholder would otherwise have been entitled to receive by way of Physical Redemption Assets. If the Bank exercises its election pursuant to sub-paragraph (b) of this Credit Linked Asset Condition 2.6.4, the Bank shall pay to Noteholders no later than the Business Day following the relevant Latest Permissible Physical Settlement Date an amount in respect of each Note determined by the Calculation Agent equal to the portion of the Physical Redemption Assets of such Note in respect of which Deliverable Obligations were not delivered.

### **2.6.5 Partial Cash Redemption due to Impossibility or Illegality**

If, due to an event beyond the control of the Bank, it is impossible or illegal for the Bank to Deliver, or due to an event beyond the control of the Bank it is impossible or illegal for any Noteholder (the “**Affected Noteholder**”, which term shall apply to the relevant Noteholder in this Credit Linked Asset Condition 2.6.5) to accept Delivery of, any of the Deliverable Obligations (other than a Prior Deliverable Obligation or a Package Observable Bond if an Asset Package Credit Event has occurred) specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, on the Physical Redemption Date (including, without limitation, failure of the relevant clearance system or due to any law, regulation or court order, but excluding market conditions or the failure to obtain any requisite consent with respect to the Delivery of Loans), then on or before such date (a) the Bank shall Deliver and the Affected

Noteholder shall take Delivery of any of the Deliverable Obligations specified in the Notice of Physical Settlement or NOPS Amendment Notice, as applicable, for which it is possible and legal to take Delivery and (b) the Calculation Agent shall provide a description in reasonable detail of the facts giving rise to such impossibility or illegality and, as soon as practicable thereafter, the Bank shall Deliver and the Affected Noteholder shall take Delivery of the Deliverable Obligations specified in the Notice of Physical Settlement or NOPS Amendment Notice as applicable which were not delivered on the Delivery Date. The date on which the Deliverable Obligations specified in the Notice of Physical Settlement or NOPS Amendment Notice, as applicable, which were not Delivered and are subsequently Delivered shall be the Maturity Date. If following the occurrence of any such impossibility or illegality, the amount of Deliverable Obligations that are to be Delivered as specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, are not delivered to the Noteholders on or prior to the Latest Permissible Physical Settlement Date, then Cash Redemption pursuant to the partial cash redemption terms in Credit Linked Asset Condition 2.6.10 (*Partial Cash Redemption Terms and Fallback Cash Redemption Terms*) shall apply with respect to the Deliverable Obligations that cannot be Delivered (the “**Undeliverable Obligations**”).

#### **2.6.6 Partial Cash Redemption of Consent Required Loans**

If:

- (a) the Deliverable Obligations specified in the Notice of Physical Settlement or NOPS Amendment Notice include Consent Required Loans that, due to the non-receipt of any requisite consents, are not, on the Physical Redemption Date, capable of being assigned or novated to the Affected Noteholder and such consents are not obtained or deemed given by the Latest Permissible Physical Settlement Date; and
- (b) “Direct Loan Participation” is not specified as a Deliverable Obligation Characteristic in the relevant Issue Terms, or “Direct Loan Participation” is specified as a Deliverable Obligation Characteristic in the relevant Issue Terms and the relevant participation is not effected on or before the Latest Permissible Physical Settlement Date,

Cash Redemption pursuant to the partial cash redemption terms in Credit Linked Asset Condition 2.6.10 (*Partial Cash Redemption Terms and Fallback Cash Redemption Terms*) shall be deemed to apply to the Credit Linked Notes with respect to the Deliverable Obligations specified in the Notice of Physical Settlement or NOPS Amendment Notice that consist of Consent Required Loans for which consents are not obtained or deemed given (the “**Undeliverable Loan Obligations**”).

#### **2.6.7 Partial Cash Redemption of Assignable Loans**

If:

- (a) the Deliverable Obligations specified in the Notice of Physical Settlement or NOPS Amendment Notice include Assignable Loans that, due to the non-receipt of any requisite consents, are not, on the Physical Redemption Date, capable of being assigned or novated to the Affected Noteholder and such consents are not obtained or deemed given by the Latest Permissible Physical Settlement Date; and
- (b) “Direct Loan Participation” is not specified as a Deliverable Obligation Characteristic in the relevant Issue Terms, or “Direct Loan Participation” is specified as a Deliverable Obligation Characteristic in the relevant Issue Terms and the relevant participation is not effected on or before the Latest Permissible Physical Settlement Date,

Cash Redemption pursuant to the partial cash redemption terms in Credit Linked Asset Condition 2.6.10 (*Partial Cash Redemption Terms and Fallback Cash Redemption Terms*) shall be deemed to apply to the Credit Linked Notes with respect to the Deliverable Obligations

specified in the Notice of Physical Settlement or NOPS Amendment Notice that consist of Assignable Loans for which consents are not obtained or deemed given (the “**Unassignable Obligations**”).

#### 2.6.8 Partial Cash Redemption of Participations

If the Deliverable Obligations include Direct Loan Participations and the relevant participation is not effected on or before the Latest Permissible Physical Settlement Date, Cash Redemption pursuant to the partial cash redemption terms in Credit Linked Asset Condition 2.6.10 (*Partial Cash Redemption Terms and Fallback Cash Redemption Terms*) shall be deemed to apply to the Credit Linked Notes with respect to the Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable that consist of Direct Loan Participations in respect of which the relevant participation is not effected (the “**Undeliverable Participations**”).

#### 2.6.9 Alternative Procedures Relating to Loans not Delivered

- (a) If the Bank has not Delivered any Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice that are Loans (other than any Loan which (i) is a Prior Deliverable Obligation which the Bank has notified the Fiscal Agent it intends to Deliver an Asset Package in lieu thereof, or (ii) forms part of an Asset Package which the Bank has notified the Fiscal Agent it intends to Deliver) on or prior to the date that is five Business Days after the Physical Redemption Date (the “**Loan Alternative Procedure Start Date**”), sub-paragraph (b) of this Credit Linked Asset Condition 2.6.9 shall apply unless (A) “Reference Obligation Only” has been specified as the Deliverable Obligation Category in the relevant Issue Terms, (B) in the case of a Consent Required Loan, “Partial Cash Redemption of Consent Required Loans” is specified as being applicable in the relevant Issue Terms (in which case Credit Linked Asset Condition 2.6.6 (*Partial Cash Redemption of Consent Required Loans*) shall apply), (C) in the case of an Assignable Loan, “Partial Cash Redemption of Assignable Loans” is specified as being applicable in the relevant Issue Terms (in which case Credit Linked Asset Condition 2.6.7 (*Partial Cash Redemption of Assignable Loans*)) shall apply), (D) in the case of a Direct Loan Participation, “Partial Cash Redemption of Participation” is specified as being applicable in the relevant Issue Terms (in which case Credit Linked Asset Condition 2.6.8 (*Partial Cash Redemption of Participations*) shall apply) or (E) in any case, such failure to Deliver is due to an event described in Credit Linked Asset Condition 2.6.5 (*Partial Cash Redemption due to Impossibility or Illegality*) (in which case Credit Linked Asset Condition 2.6.5 (*Partial Cash Redemption due to Impossibility or Illegality*) shall apply).
- (b) If the Bank has failed to obtain the requisite consents to Deliver a Loan specified in the Notice of Physical Settlement or any NOPS Amendment Notice, at any time following the Alternative Procedure Start Date, the Bank may Deliver, in lieu of all or part of such Loan, any, subject to “Restructuring Maturity Limitation and Fully Transferable Obligation” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation”, Bond that is Transferable and Not Bearer or any Assignable Loan, in either case selected by the Bank and having on both the Physical Redemption Date and the Delivery Date each of the Deliverable Obligation Characteristics (other than Consent Required Loan or Direct Loan Participation), if any, specified in the relevant Issue Terms and otherwise satisfying the requirements to constitute a Deliverable Obligation (and such instrument shall be deemed specified in the NOPS Amendment Notice which will be effective notwithstanding the fact that it is deemed specified after the Physical Redemption Date).

### 2.6.10 Partial Cash Redemption Terms and Fallback Cash Redemption Terms

The following terms apply for the purposes of the partial cash redemption terms referred to in Credit Linked Asset Conditions 2.6.5 (*Partial Cash Redemption due to Impossibility or Illegality*) to 2.6.9 (*Alternative Procedures Relating to Loans not Delivered*) and for the purposes of the fallback cash redemption terms referred to in Credit Linked Asset Condition 2.6.1 (*Delivery of Physical Redemption Assets*) and Credit Linked Asset Condition 2.9.2 (*Continuing Redemption Failure Event*):

- (a) If “Cash Redemption” is deemed to apply pursuant to Credit Linked Asset Conditions 2.6.5 (*Partial Cash Redemption due to Impossibility or Illegality*) to 2.6.9 (*Alternative Procedures Relating to Loans not Delivered*) or applies pursuant to Credit Linked Asset Condition 2.6.1 (*Delivery of Physical Redemption Assets*) or Credit Linked Asset Condition 2.9.2 (*Continuing Redemption Failure Event*) when “Fallback Cash Redemption” is specified to apply in the relevant Issue Terms, the Bank shall pay in respect of the portion of the Physical Redemption Assets corresponding to the applicable Undeliverable Obligation, Undeliverable Loan Obligation, Undeliverable Participation or Unassignable Obligation (each an “**Undeliverable Deliverable Obligation**”) the Partial Cash Redemption Amount on the Partial Cash Redemption Date, and in respect of the Physical Redemption Assets which cannot be delivered as described in Credit Linked Asset Condition 2.6.2 (*Physical Redemption Assets*) or Credit Linked Asset Condition 2.9.2 (*Continuing Redemption Failure Event*) (each an “**Undelivered Deliverable Obligation**”), the Fallback Cash Redemption Amount on the Fallback Cash Redemption Date (each as determined in accordance with this Credit Linked Asset Condition 2.6.10);
- (b) “**Partial Cash Redemption Amount**” means, for each Undeliverable Deliverable Obligation, as the case may be, an amount calculated by the Calculation Agent equal to the greater of (i) (A) the Outstanding Principal Balance, the Due and Payable Amount or the Currency Amount, as applicable, of each Undeliverable Deliverable Obligation, as the case may be, multiplied by (B) either (I) if one or more Auctions are held by the Credit Derivatives Determination Committee in respect of the Reference Entity, the Auction Final Price or (II) if the Calculation Agent so determines (in its discretion, acting in a commercially reasonable manner), the Final Price with respect to such Undeliverable Deliverable Obligations, as the case may be, less (C) Credit Event Unwind Costs, if any, and (ii) zero;
- (c) “**Partial Cash Redemption Date**” and “**Fallback Cash Redemption Date**” means the date as selected by the Bank up to and including the date falling 10 Business Days after the calculation of the Final Price or, as applicable the Auction Final Price Determination Date;
- (d) “**Fallback Cash Redemption Amount**” has the same meaning as set out in “Partial Cash Redemption Amount”, provided that each reference therein to “Undeliverable Deliverable Obligation” shall be deemed to be a reference to “Undelivered Deliverable Obligation”;
- (e) “**Reference Obligation**” means, in respect of the determination of the Partial Cash Redemption Amount, each Undeliverable Deliverable Obligation and in respect of the determination of the Fallback Cash Redemption Amount, each Undelivered Deliverable Obligation;
- (f) “**Valuation Date**” means the date that is two Business Days after the Latest Permissible Physical Settlement Date;

- (g) “**Valuation Method**” means Highest or, if fewer than two Full Quotations are obtained or a Weighted Average Quotation applies (or, if applicable, Indicative Quotations), Market Value;
- (h) “**Quotation Method**” means Bid;
- (i) “**Quotation Amount**” means, with respect to each type or issue of Undeliverable Deliverable Obligation or Undelivered Deliverable Obligation, an amount equal to the Outstanding Principal Balance or Due and Payable Amount (or, in either case, its equivalent in the relevant Obligation Currency which shall be converted by the Calculation Agent in a commercially reasonable manner by reference to exchange rates in effect at the time that the relevant Quotation is being obtained), as applicable, of such Undeliverable Deliverable Obligation or Undelivered Deliverable Obligation (as applicable), as the case may be. The Calculation Agent may in its discretion, acting in a commercially reasonable manner, round up or down the Quotation Amount for the purposes of seeking a Quotation;

There shall be no Minimum Quotation Amount;

- (j) “**Valuation Time**” means the time specified as such in the relevant Issue Terms, or if no such time is specified, the time specified by the Calculation Agent, which shall be as close as reasonably practicable to 11:00 a.m. (London time), unless the Calculation Agent determines that the principal market for transactions in the Undeliverable Deliverable Obligation or Undelivered Deliverable Obligation (as applicable) would be closed at such time or such transactions are not being conducted in sufficient volume (as determined by the Calculation Agent in its discretion, acting in a commercially reasonable manner) at such time, in which event the Valuation Time shall be such other time as may be specified by the Calculation Agent that such principal market is open;
- (k) “**Market Value**” means, with respect to an Undeliverable Deliverable Obligation or an Undelivered Deliverable Obligation (as applicable), on a Valuation Date, (i) if more than three Full Quotations are obtained the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the same highest and lowest values (and, if more than one such Full Quotations have the same highest and lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (ii) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (iii) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations; (iv) if fewer than two Full Quotations are obtained and a Weighted Average Quotation is obtained, such Weighted Average Quotation; (v) if Indicative Quotations are applicable and exactly three Indicative Quotations are obtained, the Indicative Quotation remaining after disregarding the highest and lowest Indicative Quotations (and, if more than one such Indicative Quotations have the same highest or lowest value, then one of such highest or lowest Indicative Quotations shall be disregarded); (vi) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained (and, if Indicative Quotations are applicable, fewer than three Indicative Quotations are obtained) then, subject to sub-paragraph (ii) of the definition of “Quotation” below, an amount that the Calculation Agent shall determine on the next Business Day on which two or more Full Quotations or a Weighted Average Quotation, or, if applicable, three Indicative Quotations are obtained; and (vii) if fewer than two Full Quotations are obtained, no Weighted Average Quotation is obtained (and, if Indicative Quotations are applicable, fewer than three Indicative Quotations are

obtained) on the same Business Day on or prior to the tenth Business Day following the Valuation Date, the Market Value shall be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day or, if no Full Quotation is obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations) for the Undeliverable Deliverable Obligation or Undelivered Deliverable Obligation (as applicable), as the case may be, obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations (or, if applicable, Indicative Quotations) were not obtained on such day;

- (l) **“Quotation”** means each Full Quotation, the Weighted Average Quotation, and, if Indicative Quotations are specified as applying in the relevant Issue Terms, each Indicative Quotation obtained and expressed as a percentage of the Reference Obligation’s Outstanding Principal Balance or Due and Payable Amount, as applicable with respect to a Valuation Date in the manner that follows:
- (i) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Quotation Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Quotation Dealers, and, if two or more Full Quotations are not available, a Weighted Average Quotation. If two or more such Full Quotations or a Weighted Average Quotation are not available on any such Business Day and Indicative Quotations are specified as applying in the relevant Issue Terms, the Calculation Agent shall attempt to obtain three Indicative Quotations from five or more Quotation Dealers.
  - (ii) If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation (or, if Indicative Quotations are specified as applying in the relevant Issue Terms, three Indicative Quotations) on the same Business Day on or prior to the tenth Business Day following the Valuation Date, the Quotations shall be deemed to be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or, if no Full Quotation is obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations) for the Undeliverable Deliverable Obligations or Undelivered Deliverable Obligation (as applicable), as the case may be, obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations (or, if applicable, Indicative Quotations) were not obtained on such day.
  - (iii) All Quotations shall be obtained in accordance with the specification or determination made pursuant to Credit Linked Asset Condition 2.2.5 (*Accrual of Interest on Credit Event*);
- (m) **“Indicative Quotation”** means, in accordance with the Quotation Method, each quotation obtained from a Quotation Dealer at the Valuation Time for (to the extent reasonably practicable) an amount of the Undeliverable Deliverable Obligation or Undelivered Deliverable Obligation (as applicable), as the case may be, equal to the

Quotation Amount, which reflects such Quotation Dealer's reasonable assessment of the price of such Undeliverable Deliverable Obligation or Undelivered Deliverable Obligation (as applicable), as the case may be, based on such factors as such Quotation Dealer may consider relevant, which may include historical prices and recovery rates; and

- (n) Indicative Quotations shall be applicable under this Credit Linked Asset Condition 2.6.10 only if these partial cash settlement terms or fallback cash redemption terms apply due to the occurrence of an event giving rise to an impossibility or illegality under Credit Linked Asset Condition 2.6.5 (*Partial Cash Redemption due to Impossibility or Illegality*) or a Continuing Redemption Failure Event under Credit Linked Asset Condition 2.9.2 (*Continuing Redemption Failure Event*).
- (o) The Calculation Agent shall determine based on the then current market practice in the market of the relevant Undeliverable Obligation, Undeliverable Loan Obligation, Undeliverable Participation, Unassignable Obligation or Undelivered Deliverable Obligation, whether such Quotations shall include or exclude accrued but unpaid interest.

#### **2.6.11 Asset Package Delivery**

- (a) If an Asset Package Credit Event occurs and an obligation which would be a Prior Deliverable Obligation or a Package Observable Bond for the purposes of the Notes results in an Asset Package then "Asset Package Delivery" will apply unless (i) such Asset Package Credit Event occurs prior to the Credit Event Backstop Date determined in respect of the Credit Event specified in the Credit Event Notice or DC Credit Event Announcement applicable to the Event Determination Date, (ii) if the Reference Entity is a Sovereign, no Package Observable Bond exists immediately prior to such Asset Package Credit Event, or (iii) the Reference Entity is a Sovereign and "Sovereign Reference Entity No Asset Package Delivery" is specified as "Applicable" in the relevant Issue Terms.
- (b) If Asset Package Delivery applies, (i) Delivery of a Prior Deliverable Obligation or a Package Observable Bond forming part of the Physical Redemption Assets which is specified in the Notice of Physical Settlement or NOPS Amendment Notice, as applicable, may be satisfied by Delivery of the related Asset Package, and such Asset Package shall be treated as having the same currency, Outstanding Principal Balance or Due and Payable Amount, as applicable, as the Prior Deliverable Obligation or Package Observable Bond to which it corresponds had immediately prior to the Asset Package Credit Event, (ii) the definition of "Deliver" shall be deemed to apply to each Asset in the Asset Package, provided that if any such Asset is not a Bond, it shall be treated as if it were a Loan for this purpose, (iii) if the Asset Package is zero, the Outstanding Amount of the Prior Deliverable Obligation or Package Observable Bond shall be deemed to have been Delivered in full three Business Days following the date on which the Bank has notified the Fiscal Agent of the detailed description of the Asset Package that it intends to Deliver in accordance with the definition of "Notice of Physical Settlement", (iv) the Bank may satisfy its obligation to make Delivery of the Prior Deliverable Obligation or Package Observable Bond in part by Delivery of each Asset in the Asset Package in the correct proportion and (v) if the relevant Asset is a Non-Transferable Instrument or Non-Financial Instrument, the Asset shall be deemed to be an amount of cash equal to the Asset Market Value.
- (c) Notwithstanding the preceding sub-paragraphs of this Credit Linked Asset Condition 2.6.11, the Bank may elect in lieu of delivering all or any part of the Asset Package (such

assets, the “**Non-Deliverable Asset Package**”) as Physical Redemption Assets to pay to the Noteholders the Asset Market Value of the non-Deliverable Asset Package, converted if necessary, into the currency of denomination of the Notes at the prevailing market rate of exchange determined by the Calculation Agent in good faith (such cash payment the “**Asset Package Cash Redemption Amount**”). Payment of the Asset Package Cash Redemption Amount shall be made on or before the tenth Business Day following determination of the Asset Market Value of the non-Deliverable Asset Package.

## 2.7 Cash Redemption Terms

### 2.7.1 Redemption of Credit Linked Notes where Cash Redemption applies

Notwithstanding anything to the contrary in Base General Condition 7 (*Redemption, Purchase and Options*) and unless previously redeemed or purchased and cancelled, and subject to Credit Linked Asset Condition 2.10 (*Effect of DC Announcements*) if (a) “Cash Redemption” is specified as the Credit Event Redemption Method in the relevant Issue Terms, or (b) Cash Redemption is deemed to take place under the terms relating to Physical Redemption in Credit Linked Asset Condition 2.6 (*Physical Redemption Terms*), or (c) Cash Redemption is applicable as the Fallback Redemption Method in accordance with the Auction Redemption Terms in Credit Linked Asset Condition 2.5 (*Auction Redemption Terms*), then, following the occurrence of a Relevant Event Determination Date:

- (a) subject to sub-paragraph (b) of this Credit Linked Asset Condition 2.7.1, the Bank shall, subject as aforesaid, redeem:
  - (i) each Note in whole on the relevant Cash Redemption Date at the Cash Redemption Amount; or
  - (ii) if the Notes are Linear Basket Notes, (A) a portion of the principal amount of each Note equal to the Applicable Proportion determined by reference to the Reference Entity Notional Amount of the Reference Entity in respect of which the Credit Event occurred on the relevant Cash Redemption Date at the Cash Redemption Amount and (B) the remaining portion of each Note at its *pro rata* Final Redemption Amount on the Scheduled Maturity Date; or
  - (iii) if the Credit Event is an M(M)R Restructuring Credit Event, (A) a portion of the principal amount of each Note equal to the Applicable Proportion determined by reference to the Exercise Amount specified in the Credit Event Notice relating to the relevant Credit Event on the relevant Cash Redemption Date at the Cash Redemption Amount and (B) the remaining portion of each Note at its *pro rata* Final Redemption Amount on the Scheduled Maturity Date; and
- (b) in the case of Notes to which Credit Payment on Maturity applies, the Bank shall redeem each Note in whole on the later to occur of (i) the Cash Redemption Date in respect of the relevant Reference Entity and a Credit Event and (ii) the Scheduled Maturity Date (the “**Final Cash Redemption Date**”) at the Final Cash Redemption Amount.

Payment by the Bank of the Cash Redemption Amount shall fully and effectively discharge the Bank’s obligation to redeem the Applicable Proportion of the relevant Note and payment by the Bank of the Final Cash Redemption Amount shall fully and effectively discharge the Bank’s obligation to redeem the Note.

### 2.7.2 Determination of the Final Price

- (a) On the Valuation Date, the Calculation Agent shall commence determination of the Final Price using the Deliverable Obligations to be valued selected in its discretion, acting in a commercially reasonable manner.



- (b) If:
- (i) “Include Accrued Interest” is specified in the relevant Issue Terms, the Outstanding Principal Balance of the Deliverable Obligations shall include accrued but unpaid interest;
  - (ii) “Exclude Accrued Interest” is specified in the relevant Issue Terms, the Outstanding Principal Balance of the Deliverable Obligations shall not include accrued but unpaid interest; or
  - (iii) neither “Include Accrued Interest” nor “Exclude Accrued Interest” is specified in the relevant Issue Terms, the Calculation Agent shall determine, based on the then current market practice in the market of the Deliverable Obligation whether the Outstanding Principal Balance of the Deliverable Obligation shall include or exclude accrued but unpaid interest and, if applicable, the amount thereof,

the Calculation Agent shall, as soon as reasonably practicable after obtaining all Quotations for a Valuation Date, notify the Bank and the Fiscal Agent in writing of each such Quotation that it receives in connection with the calculation of the Final Price together with a written computation showing such calculation and including the information specified in sub-paragraph (f) of Credit Linked Asset Condition 2.18.2 (*Notices required to be delivered*) and the Fiscal Agent will deliver a copy of such notice to the Noteholders in accordance with Base General Condition 16 (*Notices*) (provided that any failure to give such notice to Noteholders shall not affect any determination made by the Bank or Calculation Agent or the rights of the Bank to redeem the Credit Linked Notes (or, if the Notes are Linear Basket Notes, or if the Credit Event is an M(M)R Restructuring Credit Event, the Applicable Proportion thereof)).

- (c) If an Asset Package Credit Event has occurred, (i) valuation of a Prior Deliverable Obligation or Package Observable Bond specified in the notice to the Fiscal Agent may be satisfied by valuation of the related Asset Package and such Asset Package shall be treated as having the same currency and Outstanding Principal Balance as that of the Prior Deliverable Obligation or Package Observable Bond, as applicable, to which it corresponds immediately prior to the Asset Package Credit Event, (ii) if the Asset Package is zero, a Quotation shall be deemed to have been obtained for the Outstanding Principle Balance of the Prior Deliverable Obligation or Package Observable Bond (as applicable) equal to zero, and (iii) for any other Asset Package the Calculation Agent shall determine the value of the Asset Package in its sole and absolute discretion and a Quotation shall be deemed to have been obtained for such valuation provided that the Calculation Agent may obtain Quotations for some or all of the components of the Asset Package and/or take account of any method of determining the Asset Market Value of any Asset that is a Non-Transferable Instrument or a Non-Financial Instrument that may be published by the DC Secretary.

## 2.8 Redemption Upon Merger Event

If “Redemption Following Merger” is specified as being applicable in the relevant Issue Terms then:

- (a) If at any time the Bank becomes aware that any Noteholder is a Reference Entity, the Bank may, in its sole and absolute discretion, elect to redeem all of the Credit Linked Notes of that Noteholder (and the Final Redemption Amount shall, notwithstanding the Credit Linked Asset Conditions, be zero).
- (b) In the event that the Bank and/or the Calculation Agent determines, in its discretion, acting in a commercially reasonable manner, that a Merger Event has occurred, the Bank may give notice to the Noteholders in accordance with Base General Condition 16 (*Notices*) and redeem or

cancel, as applicable, all of the Credit Linked Notes and the Final Redemption Amount shall, notwithstanding the Credit Linked Asset Conditions, be zero.

The Bank shall not be responsible for monitoring the identity of each Noteholder from time to time for the purpose of enabling the Bank to exercise its rights hereunder or otherwise.

## 2.9 Redemption Failure Event

2.9.1 If a Redemption Failure Event has occurred and exists on the Scheduled Maturity Date or Redemption Date the obligation of the Bank to pay the Auction Redemption Amount, the Cash Redemption Amount, the Final Auction Redemption Amount, the Final Cash Redemption Amount or to Deliver the Physical Redemption Assets or part thereof, as the case may be, will be postponed without further act or notice and such payment or Delivery will be made on a Business Day selected by the Bank on which such Redemption Failure Event no longer exists, provided that, if such Redemption Failure Event continues to exist on the tenth Business Day after the Scheduled Maturity Date or Redemption Date or other scheduled payment or delivery date (including a date scheduled to be the Delivery Date) in respect of an amount required to be paid or Deliverable Obligations to be Delivered (as the case may be), the Noteholder may request the Bank in writing to make payment of such amount to such account or to such other person as the Noteholder specifies, provided that, the Bank first receives an irrevocable and unconditional release and indemnity in respect of liabilities arising therefrom to its sole and absolute satisfaction.

### 2.9.2 Continuing Redemption Failure Event

(a) Notwithstanding anything to the contrary in the Conditions but subject to sub-paragraph (b) of this Credit Linked Asset Condition 2.9.2, if the Bank determines (in its discretion, acting in a commercially reasonable manner) that such Redemption Failure Event continues to exist on the 90th calendar day after the Scheduled Maturity Date or Redemption Date or other scheduled payment or delivery date (including a date scheduled to be the Delivery Date) (a “**Continuing Redemption Failure Event**”) in respect of an amount required to be paid where the Noteholder has not elected for payment to be made to a third party (if applicable) in accordance with Credit Linked Asset Condition 2.9.1, or Deliverable Obligations to be Delivered (as the case may be) no such payment or Delivery will be made by the Bank and the Bank’s obligations to the Noteholder hereunder will be deemed to be fully discharged as of that date.

(b) Notwithstanding sub-paragraph (a) of this Credit Linked Asset Condition 2.9.2, if a Continuing Redemption Failure Event occurs as a result of the circumstances described in sub-paragraph (c) of the definition of “Redemption Failure Event”, and “Fallback Cash Redemption” is specified to apply in the relevant Issue Terms, the Bank shall apply “Cash Redemption” pursuant to the fallback cash redemption terms in Credit Linked Asset Condition 2.6.10 (*Partial Cash Redemption Terms and Fallback Cash Redemption Terms*) with respect to the Deliverable Obligations that have not been Delivered.

2.9.3 Any postponement or deemed discharge of payment pursuant to this Credit Linked Asset Condition 2.9 (*Redemption Failure Event*) will not constitute a default hereunder (including for the purpose of Base General Condition 11 (*Events of Default and Enforcement*)) and will not entitle the relevant Noteholder to any additional interest or other payment as a result thereof. For the avoidance of doubt, the provisions of this Credit Linked Asset Condition 2.9.3 are in addition to any provisions of Credit Linked Asset Condition 2.6 (*Physical Redemption Terms*) above regarding, *inter alia*, the failure to Deliver Deliverable Obligations.

## 2.10 Effect of DC Announcements

### 2.10.1 Reversal of DC Credit Event Announcement

If an Event Determination Date is subsequently reversed prior to the relevant Auction Final Price Determination Date, a Valuation Date, a Redemption Date (or, if earlier, a Delivery Date) or the Scheduled Maturity Date, a Credit Event shall be deemed not to have occurred with respect to the Reference Entity for the purposes of these Credit Linked Asset Conditions.

### 2.10.2 Linear Basket Notes

Where the Notes are Linear Basket Notes, an Event Determination Date may occur in respect of each Reference Entity comprised in the basket provided that, other than in respect of a Restructuring, an Event Determination Date shall apply only once to each such Reference Entity.

### 2.10.3 Redemption Suspension

If, following the occurrence of a Relevant Event Determination Date but prior to the relevant Redemption Date, Delivery Date or, to the extent applicable, a Valuation Date in respect of a Reference Entity, there is an Applicable DC Credit Event Meeting Announcement, all timing requirements in these Credit Linked Asset Conditions that pertain to settlement shall toll and remain suspended until the date of the Applicable DC Credit Event Announcement or Applicable DC Credit Event Question Dismissal, as applicable. During such suspension period, the Bank is not obliged to take any action in connection with the settlement of such Credit Event or the redemption, if any, of the Credit Linked Notes. Once the relevant DC Credit Event Announcement or DC Credit Event Dismissal has occurred, the relevant timing requirements that pertain to settlement that have previously tolled or been suspended shall resume on the Business Day following such public announcement by the DC Secretary with the Bank having the benefit of the full day notwithstanding when the tolling or suspension began. The Bank shall deliver, or cause the Fiscal Agent to deliver, a notice (a “**Redemption Suspension Notice**”) in accordance with Base General Condition 16 (*Notices*) to the Noteholders giving notice of any suspension or resumption of timing requirements pursuant to this Credit Linked Asset Condition 2.10 (*Effect of DC Announcements*).

## 2.11 Principal Protected Redemption Terms

Subject to Credit Linked Asset Condition 2.10 (*Effect of DC Announcements*), if “Principal Protected Redemption” is specified as the Credit Event Redemption Method in the relevant Issue Terms and a Relevant Event Determination Date occurs then, unless previously redeemed or purchased and cancelled, redemption of the Credit Linked Notes shall take place by payment by the Bank of (a) if Credit Payment on Maturity applies, the Applicable Proportion of the Principal Protected Amount and the outstanding portion of each Note (if any) at its *pro rata* Final Redemption Amount (as determined by the Calculated Agent) on the Final Cash Redemption Date and (b) if Credit Payment on Maturity does not apply, the Applicable Portion of the Principal Protected Amount on the Cash Redemption Date and the outstanding portion of each Note (if any) at its *pro rata* Final Redemption Amount (as determined by the Calculation Agent) on the Scheduled Maturity Date. For the avoidance of doubt, nothing in this Credit Linked Asset Condition 2.11 shall prejudice the provisions of Credit Linked Asset Condition 2.2 (*Interest on Credit Linked Notes*).

## 2.12 Fixed Recovery Redemption Terms

### 2.12.1 Redemption at the Fixed Recovery Redemption Amount

Subject to Credit Linked Asset Condition 2.10 (*Effect of DC Announcements*), unless previously redeemed or purchased and cancelled, if “Fixed Recovery Redemption” is specified as the Credit Event Redemption Method in the relevant Issue Terms, then following the occurrence of a Relevant Event Determination Date, redemption of the Credit Linked Notes (or, if the Credit

Linked Notes are Linear Basket Notes or if the Credit Event is an M(M)R Restructuring Credit Event, the Applicable Proportion thereof) shall take place in accordance with Credit Linked Asset Condition 2.7 (*Cash Redemption Terms*), provided that the Cash Redemption Amount or Final Cash Redemption Amount (if “Credit Payment on Maturity” applies) shall be determined using the Fixed Recovery Percentage specified in the relevant Issue Terms instead of the Final Price, as further set out in the definitions of “Cash Redemption Amount” and “Final Cash Redemption Amount” in Credit Linked Asset Condition 2.19 (*Definitions*).

#### **2.12.2 Fixed Recovery Percentage of zero**

If the Fixed Recovery Percentage is zero, following the occurrence of a Relevant Event Determination Date, the occurrence of the Fixed Recovery Redemption Date shall fully and effectively discharge the Bank’s obligation to redeem the Applicable Proportion of the relevant Note.

#### **2.12.3 Credit Event Unwind Costs**

If “Credit Event Unwind Costs” is applicable in the relevant Issue Terms, the Credit Event Unwind Costs shall only apply to a Fixed Recovery Note to the extent that the Cash Redemption Amount or Final Cash Redemption Amount would not be less than zero.

### **2.13 Additional Disruption Events**

**2.13.1** If “Additional Disruption Event” is specified as being applicable in the relevant Issue Terms, then following the determination by the Bank that an Additional Disruption Event has occurred, the Bank in its sole and absolute discretion may:

- (a) determine in its discretion, acting in a commercially reasonable manner, the appropriate adjustment, if any, to be made to any of the Credit Linked Asset Conditions and/or the relevant Issue Terms to account for the Additional Disruption Event and determine the effective date of that adjustment; or
- (b) give notice to Noteholders in accordance with Base General Condition 16 (*Notices*) and redeem the Aggregate Nominal Amount of the Credit Linked Notes at a commercially reasonable amount as determined by the Bank.

**2.13.2** Upon the occurrence of an Additional Disruption Event, the Bank shall deliver, or cause the Fiscal Agent to deliver, a notice (an “**Additional Disruption Event Notice**”) in accordance with Base General Condition 16 (*Notices*) to the Noteholders stating the occurrence of the Additional Disruption Event and giving details thereof and the action proposed to be taken in relation thereto provided that any failure to give, or non-receipt of, such notice will not affect the validity of the Additional Disruption Event.

### **2.14 Successor Provisions**

#### **2.14.1 Successor Determinations**

- (a) The Calculation Agent will be responsible for determining, as soon as reasonably practicable after delivery of a Successor Notice and with effect from the Succession Date, any Successor or Successors provided that the Calculation Agent will not make such determination if, at the time of the determination, the DC Secretary has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that there is no Successor based on the relevant succession to Relevant Obligations.
- (b) The Calculation Agent will make all calculations and determinations required to be made under this definition on the basis of Eligible Information and will notify the Fiscal Agent of any such calculation or determination as soon as practicable. In calculating the percentages used to determine whether an entity qualifies as a Successor under subparagraph (a) of this Credit Linked Asset Condition 2.14.1, if there is a Steps Plan, the

Calculation Agent shall consider all related successions in respect of such Steps Plan in aggregate as if forming part of a single succession.

#### 2.14.2 Multiple Successors

Following a Succession Date if more than one Successor has been identified, the Credit Linked Notes will be amended without the consent of the Noteholders to reflect the following terms:

- (a) each Successor will be a Reference Entity and more than one Credit Event may occur during the Term of the Credit Linked Notes but, subject to Credit Linked Asset Condition 2.4 (*Credit Event Notice after M(M)R Restructuring*), once only in relation to each Successor;
- (b) where a Credit Event occurs in respect of a Reference Entity after such Succession Date, the Credit Linked Notes will not redeem in whole in respect of a Successor but instead the provisions of these Credit Linked Asset Conditions shall be deemed to apply to the nominal amount represented by that Reference Entity only (the “**Partial Nominal Amount**”), the Credit Linked Notes shall, thereafter, be redeemed in part (such redeemed part being equal to a Noteholder’s *pro rata* share of the Partial Nominal Amount) (provided that if Credit Payment on Maturity applies such partial redemption shall occur only on the Final Cash Redemption Date or Final Auction Redemption Date) and the Credit Linked Asset Conditions and/or the Issue Terms shall be construed accordingly. Following such event, the Credit Linked Notes shall remain outstanding in an amount equal to the Aggregate Nominal Amount of the Credit Linked Notes minus the Partial Nominal Amount and interest shall accrue on any remaining amount only (in accordance with these Credit Linked Asset Conditions, adjusted in such manner as the Calculation Agent in its discretion, acting in a commercially reasonable manner, determines to be appropriate to reflect the economic effects of the identification of more than one Successor); and
- (c) with respect to Linear Basket Notes only, the Reference Entity Notional Amount of the original Reference Entity will be divided equally between the number of Successors and the Calculation Agent shall determine the relevant type of Reference Entity (including any relevant Obligation and Deliverable Obligation Category and Deliverable Obligation Characteristics in its discretion, acting in a commercially reasonable manner) by reference to market practice in such type of Reference Entity. If a single entity would be a Reference Entity hereunder more than once, then it will be deemed to be a Reference Entity only once, and the Reference Entity Notional Amount for such Reference Entity will be the sum of the Reference Entity Notional Amounts otherwise applicable to it (and such change shall have no effect on the Aggregate Nominal Amount of the Linear Basket Notes).

#### 2.14.3 Exchange Offer

In the case of an exchange offer, the determination required pursuant to the definition of “Successor” shall be made on the basis of the outstanding principal balance of Relevant Obligations exchanged and not on the basis of the outstanding principal balance of the Exchange Bonds or Loans.

#### 2.14.4 Joint Potential Successors

If two or more entities (each, a “**Joint Potential Successor**”) jointly succeed to a Relevant Obligation (the “**Joint Relevant Obligation**”) either directly or as a provider of a Relevant Guarantee, then (a) if the Joint Relevant Obligation was a direct obligation of the Reference Entity, it shall be treated as having been succeeded to by the Joint Potential Successor (or Joint Potential Successors, in equal parts) which succeeded to such Joint Relevant Obligation as

direct obligor or obligors, or (b) if the Joint Relevant Obligation was a Relevant Guarantee, it shall be treated as having been succeeded to by the Joint Potential Successor (or Joint Potential Successors, in equal parts) which succeeded to such Joint Relevant Obligation as guarantor or guarantors, if any, or otherwise by each Joint Potential Successor in equal parts.

#### **2.14.5 Eligible Successors**

An entity may only be a Successor if:

- (a) either (i) the related Succession Date occurs on or after the Successor Backstop Date, or (ii) such entity is a Universal Successor in respect of which the Succession Date occurred on or after 1 January 2014;
- (b) the Reference Entity had at least one Relevant Obligation outstanding immediately prior to the Succession Date and such entity succeeds to all or part of at least one Relevant Obligation of the Reference Entity; and
- (c) where the Reference Entity is a Sovereign, such entity succeeded to the Relevant Obligations by way of a Sovereign Succession Event.

### **2.15 Deliverable Obligations**

#### **2.15.1 Restructuring Maturity Limitation**

If (a) “Physical Redemption” is specified as the Credit Event Redemption Method and “Mod R” is specified as applicable in the relevant Issue Terms and (b) “Restructuring” is the only Credit Event specified in a Credit Event Notice delivered by the Bank, then, unless the Deliverable Obligation is a Prior Deliverable Obligation and Asset Package Delivery applies due to a Governmental Intervention, a Deliverable Obligation may only be specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, if it (i) is a Fully Transferable Obligation and (ii) has a final maturity date not later than the Restructuring Maturity Limitation Date, in each case, as of the Delivery Date.

#### **2.15.2 Modified Restructuring Maturity Limitation**

- (a) If (i) “Physical Redemption” is specified as the Credit Event Redemption Method and “Mod Mod R” is specified as applicable in the relevant Issue Terms and (ii) “Restructuring” is the only Credit Event specified in a Credit Event Notice delivered by Bank, then, unless the Deliverable Obligation is a Prior Deliverable Obligation and Asset Package Delivery applies due to a Governmental Intervention, a Deliverable Obligation may only be specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, if it (A) is a Conditionally Transferable Obligation and (B) has a final maturity date not later than the applicable Modified Restructuring Maturity Limitation Date in each case, as of the Delivery Date. Notwithstanding the foregoing, for purposes of this sub-paragraph (a), in the case of a Restructured Bond or Loan with a final maturity date on or prior to the 10-year Limitation Date, the final maturity date of such Bond or Loan shall be deemed to be the earlier of such final maturity date or the final maturity date of such Bond or Loan immediately prior to the relevant Restructuring.
- (b) Where Modified Restructuring Maturity Limitation applies and a Deliverable Obligation specified in the Notice of Physical Settlement (or in any NOPS Amendment Notice, if applicable) is a Conditionally Transferable Obligation with respect to which consent is required to novate, assign or transfer, and the requisite consent is refused (whether or not a reason is given for such refusal and, where a reason is given for such refusal, regardless of that reason), or is not received by the Physical Redemption Date (in which case it shall be deemed to have been refused), the Bank shall promptly notify the Fiscal

Agent of such refusal (or deemed refusal) and if the Noteholder does not designate a third party or the Noteholder does not take Delivery on or prior to the Alternative Procedure Start Date, then Credit Linked Asset Condition 2.6.9 (*Alternative Procedures Relating to Loans not Delivered*) shall apply.

### 2.15.3 Determination of Final Maturity Date

For the purposes of making a determination under Credit Linked Asset Condition 2.15.1 or 2.15.2(a) above, the relevant final maturity date shall, subject to the definition of “Conditionally Transferable Obligation”, be determined on the basis of the terms of the Deliverable Obligation in effect at the time of making such determination and, in the case of a Deliverable Obligation that is due and payable, the final maturity date shall be deemed to be the date on which such determination is made.

### 2.15.4 Multiple Holder Obligation

Unless “Multiple Holder Obligation” is specified to be not applicable in the relevant Issue Terms, then none of the events described in sub-paragraphs (a) to (d) of the definition of “Restructuring” shall constitute a Restructuring unless the Obligation is a Multiple Holder Obligation, where “**Multiple Holder Obligation**” means an Obligation that (a) at the time of the event which constitutes a Restructuring Credit Event is held by more than three holders that are not Affiliates of each other and (b) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to sixty-six-and-two-thirds is required to consent to the event which constitutes a Restructuring Credit Event (provided that sub-paragraph (b) of this Credit Linked Asset Condition 2.15.4 shall be deemed to be satisfied where the Obligation is a Bond).

## 2.16 Reference Obligation

### 2.16.1 Standard Reference Obligation and Non-Standard Reference Obligation

- (a) If “Standard Reference Obligation” is specified as applicable in the relevant Issue Terms, then the Reference Obligation for the relevant Reference Entity will be the Standard Reference Obligation which is the obligation of the relevant Reference Entity with the relevant Seniority Level specified from time to time on the SRO List published by ISDA on its website at [www.isda.org](http://www.isda.org) from time to time (or any successor website thereto) or by a third party designated by ISDA for such purposes.
- (b) If “Standard Reference Obligation” is not specified as applicable in the relevant Issue Terms then the Reference Obligation(s) for the relevant Reference Entity will be each Non-Standard Reference Obligation specified in the relevant Issue Terms for such Reference Entity.

### 2.16.2 Substitute Reference Obligation

- (a) If a Substitution Event has occurred with respect to a Non-Standard Reference Obligation, the Calculation Agent may identify a Substitute Reference Obligation in accordance with sub-paragraphs (c), (d) and (e) of this Credit Linked Asset Condition 2.16.2 to replace such Non-Standard Reference Obligation; provided that the Calculation Agent will not identify an obligation as the Substitute Reference Obligation if, at the time of the determination, such obligation has already been rejected as the Substitute Reference Obligation by the relevant Credit Derivatives Determinations Committee and such obligation has not changed materially since the date of the relevant DC Resolution.
- (b) If any of the events set forth under sub-paragraph (a) or (c) of the definition of “Substitution Event” have occurred with respect to a Non-Standard Reference Obligation, such Non-Standard Reference Obligation will cease to be the Reference Obligation (other than for purposes of the “Not Subordinated” Obligation Characteristic

or “Not Subordinated” Deliverable Obligation Characteristic and sub-paragraph (c)(ii) of this Credit Linked Asset Condition 2.16.2). If the event set forth in sub-paragraph (b) of the definition of “Substitution Event” has occurred with respect to a Non-Standard Reference Obligation and no Substitute Reference Obligation is available, such Non-Standard Reference Obligation will continue to be a Reference Obligation until the Substitute Reference Obligation is identified or, if earlier, until any of the events set forth under sub-paragraph (a) or (c) of the definition of “Substitution Event” occur with respect to such Non-Standard Reference Obligation.

- (c) The Substitute Reference Obligation shall be an obligation that on the Substitution Date:
- (i) is a Borrowed Money obligation of the Reference Entity (either directly or as provider of a guarantee);
  - (ii) satisfies the Not Subordinated Deliverable Obligation Characteristic as of the date it was issued or incurred (without reflecting any change the priority of payment after such date) and on the Substitution Date; and
  - (iii)
    - (A) if the Non-Standard Reference Obligation was a Conforming Reference Obligation when issued or incurred and immediately prior to the Substitution Event Date:
      - (I) is a Deliverable Obligation (other than a Loan) determined in accordance with sub-paragraph (a) of the definition of “Deliverable Obligation”; or if no such obligation is available,
      - (II) is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in accordance with sub-paragraph (a) of the definition of “Deliverable Obligation”;
    - (B) if the Non-Standard Reference Obligation was a Bond (or any other Borrowed Money obligation other than a Loan) which was a Non-Conforming Reference Obligation when issued or incurred and/or immediately prior to the Substitution Event Date:
      - (I) is a Non-Conforming Substitute Reference Obligation (other than a Loan); or if no such obligation is available,
      - (II) is a Deliverable Obligation (other than a Loan) determined in accordance with sub-paragraph (a) of the definition of “Deliverable Obligation”; or if no such obligation is available,
      - (III) is a Non-Conforming Substitute Reference Obligation which is a Loan (other than a Private-side Loan); or if no such obligation is available,
      - (IV) is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in accordance with sub-paragraph (a) of the definition of “Deliverable Obligation”; or
    - (C) if the Non-Standard Reference Obligation was a Loan which was a Non-Conforming Reference Obligation when incurred and/or immediately prior to the Substitution Event Date:



- (I) is a Non-Conforming Substitute Reference Obligation which is a Loan (other than a Private-side Loan); or if no such obligation is available,
  - (II) is a Non-Conforming Substitute Reference Obligation (other than a Loan); or if no such obligation is available,
  - (III) is a Deliverable Obligation (other than a Loan) determined in accordance with sub-paragraph (a) of the definition of “Deliverable Obligation”; or if no such obligation is available,
  - (IV) is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in accordance with sub-paragraph (a) of the definition of “Deliverable Obligation”.
- (d) If more than one potential Substitute Reference Obligation is identified pursuant to the process described in sub-paragraph (c) of this Credit Linked Asset Condition 2.16.2, the Substitute Reference Obligation will be the potential Substitute Reference Obligation that most closely preserves the economic equivalent of the delivery and payment obligations of the Bank under the relevant Series, as determined by the Calculation Agent. The Calculation Agent will (if a Substitute Reference Obligation has not been identified) notify the Fiscal Agent of a Substitute Reference Obligation as soon as reasonably practicable after it has been identified in accordance with sub-paragraph (c) of this Credit Linked Asset Condition 2.16.2 and the Substitute Reference Obligation shall replace the Non-Standard Reference Obligation immediately upon such notification.
- (e) If a Substitution Event has occurred with respect to the Non-Standard Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for the Non-Standard Reference Obligation then, subject to sub-paragraph (a) of this Credit Linked Asset Condition 2.16.2 and notwithstanding the fact that the Non-Standard Reference Obligation may have ceased to be the Reference Obligation in accordance with sub-paragraph (b) of this Credit Linked Asset Condition 2.16.2, the Calculation Agent may continue to attempt to identify the Substitute Reference Obligation.

### 2.16.3 Reference Obligation Only Series

- (a) If the event set out in sub-paragraph (a) of the definition of “Substitution Event” occurs with respect to the Reference Obligation in a Series of Notes in respect of a Reference Entity to which “Reference Obligation Only” applies, and such Reference Obligation is the only Reference Obligation for such Reference Entity, the Applicable Proportion of the Notes shall be redeemed at the fair market value of the Applicable Proportion of the Notes determined by the Bank as at the Substitution Event Date and adjusted to take into account any Unwind Costs, if applicable. The Bank shall deliver, or cause the Fiscal Agent to deliver, a notice in accordance with Base General Condition 16 (*Notices*) to the Noteholders stating the occurrence of such Substitution Event and setting out the Redemption Date in respect thereof, which shall be a date not earlier than the relevant Substitution Event Date.
- (b) Notwithstanding the definition of “Substitute Reference Obligation” (i) no Substitute Reference Obligation shall be determined in respect of the Reference Obligation for a Reference Entity to which “Reference Obligation Only” applies, and (ii) if the events set out in sub-paragraph (b) or (c) of the definition of “Substitution Event” occur with

respect to the Reference Obligation to which “Reference Obligation Only” applies, such Reference Obligation shall continue to be the Reference Obligation.

#### **2.16.4 DC Substitute Reference Obligation Resolution**

Notwithstanding the provision of this Credit Linked Asset Condition 2.16.4, the Calculation Agent may, but shall not be obliged to, select as the Substitute Reference Obligation for a Series of Notes an obligation of the relevant Reference Entity which is determined by DC Resolution to be the Substitute Reference Obligation to a Non-Standard Reference Obligation.

### **2.17 Calculation Agent**

2.17.1 The Calculation Agent responsible for making calculations and determinations in respect of the Credit Linked Notes and for the purposes of these Credit Linked Asset Conditions shall be the entity specified as such in the relevant Issue Terms. Except as otherwise expressly specified herein or in the relevant Issue Terms, any determination, discretion or calculation of the Bank or the Calculation Agent as may be specified in these Credit Linked Asset Conditions will be made at the discretion, acting in good faith and a commercially reasonable manner, of the Bank or the Calculation Agent, as applicable, and neither the Bank or the Calculation Agent assume any obligation to, or relationship of agency or trust with, any Noteholders or any other person and shall be (save in the case of manifest error at the time the relevant determination is made) final and binding on the Noteholders. Furthermore, each Noteholder agrees that neither the Bank nor the Calculation Agent is acting as fiduciary for or as an advisor to such Noteholder and acts in all respects as an arm’s length contractual counterparty in respect of its duties as Bank or Calculation Agent. In making any such determination or calculation or exercising any such discretion, neither the Bank nor Calculation Agent shall be required to take into account any person’s interest other than its own.

2.17.2 The Calculation Agent is responsible for, *inter alia*:

- (a) determining a Successor or Successors and making any other determinations required to be made under Credit Linked Asset Condition 2.14 (*Successor Provisions*);
- (b) determining whether (i) the aggregate amounts due under any Reference Obligation have been materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortisation or prepayments) (ii) any Reference Obligation is an Underlying Obligation with a Qualifying Guarantee of a Reference Entity and, other than due to the existence or occurrence of a Credit Event, the Qualifying Guarantee is no longer a valid and binding obligation of such Reference Entity enforceable in accordance with its terms, or (iii) for any reason other than as described in (i) or (ii) above and other than due to the existence or occurrence of a Credit Event, any Reference Obligation is no longer an obligation of a Reference Entity;
- (c) identifying and determining a Substitute Reference Obligation;
- (d) in the event that multiple Credit Event Notices with respect to an M(M)R Restructuring Credit Event are delivered pursuant to Credit Linked Asset Condition 2.4 (*Credit Event Notice after M(M)R Restructuring*), making any modifications required pursuant to that Credit Linked Asset Condition;
- (e) obtaining Quotations (and, if necessary, determining whether such Quotations shall include or exclude accrued but unpaid interest) and determining the Final Price in accordance with the applicable Valuation Method;
- (f) converting the Quotation Amount into the relevant Obligation Currency;

- (g) determining the Quotation Dealers (where none have been specified in the relevant Issue Terms) and substituting Quotation Dealers;
- (h) determining the Currency Rate;
- (i) determining the number of Business Days in each Physical Settlement Period;
- (j) determining the Outstanding Principal Balance or Due and Payable Amount the Deliverable Obligations to be included in the Physical Redemption Assets;
- (k) if “Include Accrued Interest” is specified in the relevant Issue Terms with respect to Deliverable Obligations, determining accrued but unpaid interest; and
- (l) determining whether a Merger Event has occurred.

2.17.3 The Calculation Agent shall as soon as practicable after making any of the determinations specified in Credit Linked Asset Condition 2.17.2 above notify the Bank of such determination.

2.17.4 If any of the matters set out in this Credit Linked Asset Condition 2.17 are decided and/or determined by a Credit Derivatives Determinations Committee, the Calculation Agent may follow such decision or determination to the extent such decision and/or determination is applicable to any Credit Linked Notes. In certain circumstances, the Calculation Agent shall be required to follow the decisions or determinations of a Credit Derivatives Determinations Committee or determinations made by the Calculation Agent may be overridden by subsequent determinations made by a Credit Derivatives Determinations Committee.

## 2.18 Notices

### 2.18.1 Interpretation

References in these Credit Linked Asset Conditions to a notice being delivered in accordance with Base General Condition 16 (*Notices*) shall include such Base General Condition as amended by paragraph 5.9 of the section headed “*Summary of Provisions Relating to the Notes while in Global Form*”.

### 2.18.2 Notices required to be delivered

The Bank shall deliver, or may cause the Fiscal Agent to deliver, notice to the Noteholders of the following, to the extent required to be delivered pursuant to the terms of the Credit Linked Notes:

- (a) A Credit Event Notice and, if applicable, a Notice of Publicly Available Information;
- (b) A Notice of Physical Settlement and, if applicable, any NOPS Amendment Notice;
- (c) A Successor Notice and, if applicable, details of any amendments to the weighting of each Reference Entity within the Reference Portfolio (provided that no Successor Notice shall be required following a determination by a Credit Derivatives Determinations Committee that a Succession Event has occurred);
- (d) If the terms of any Credit Linked Notes provide for the Reference Portfolio to be amended from time to time other than as a result of the identification of any Successor, details of any amendments to the Reference Portfolio;
- (e) The designation of any Substitute Reference Obligation (provided that (i) no such notice shall be required following a determination by a Credit Derivatives Determinations Committee of a Substitute Reference Obligation has occurred and (ii) the failure of the Bank to deliver a notice to the Noteholders pursuant to this Credit Linked Asset Condition 2.18 shall not affect the effectiveness of any designation of such Substitute

- Reference Obligation by the Calculation Agent (such designation to be in accordance with these Credit Linked Asset Conditions);
- (f) Following the determination of the Cash Redemption Amount with respect to any Credit Linked Notes subject to the provisions of Credit Linked Asset Condition 2.7 (*Cash Redemption Terms*), a notice specifying, to the extent applicable:
    - (i) the Deliverable Obligation(s) which were the subject of the Quotation;
    - (ii) the Valuation Date;
    - (iii) the Quotation Amount;
    - (iv) the Quotations obtained;
    - (v) the Final Price (if applicable);
    - (vi) the Fixed Recovery Percentage (if applicable);
    - (vii) the Principal Protected Amount (if applicable);
    - (viii) the Cash Redemption Amount; and
    - (ix) if applicable, any Credit Event Unwind Costs;
  - (g) Following the determination of the Auction Redemption Amount with respect to any Credit Linked Notes subject to the provisions of Credit Linked Asset Condition 2.5 (*Auction Redemption Terms*), a notice specifying the Auction Redemption Amount (including the Auction Final Price and, if applicable, the Credit Event Unwind Costs);
  - (h) A Notice to Exercise Movement Option;
  - (i) A Repudiation/Moratorium Extension Notice;
  - (j) An Additional Disruption Event Notice; or
  - (k) A Redemption Suspension Notice.

### 2.18.3 Effectiveness of Notices

- (a) Any notice required to be delivered by the Bank to Noteholders in accordance with these Credit Linked Asset Conditions shall be deemed to have been delivered to Noteholders upon delivery of such notice to the Fiscal Agent. The failure of the Fiscal Agent to deliver any such notice to Noteholders shall not affect the effectiveness of any notice delivered by the Bank or the effectiveness of any determinations by the Calculation Agent or the Bank or, as applicable, the right of the Bank to redeem the Credit Linked Notes (or, with respect to Linear Basket Notes, the Applicable Proportion thereof) pursuant to and in accordance with Credit Linked Asset Condition 2.1 (*Redemption of Credit Linked Notes*).
- (b) A notice delivered by the Bank to the Fiscal Agent on or prior to 4:00 p.m. (London time) on a Bank Business Day will be effective on such Bank Business Day. A notice delivered after 4:00 p.m. (London time) on a Bank Business Day will be deemed effective on the next following Bank Business Day, regardless of the form in which it is delivered.
- (c) Other than as specified herein, Clauses 20 (*Communications*) and 21 (*Notices*) of the Agency Agreement shall apply to any relevant communications and notices delivered in accordance with these Credit Linked Asset Conditions.

#### 2.18.4 Confidentiality

Noteholders will treat as confidential any information about a Reference Entity which is designated by the Bank as confidential information and conveyed to the Noteholders for the purposes of identifying the Credit Event or giving rise to its determination of a Credit Event.

#### 2.19 Definitions

The following definitions which relate to the Credit Linked Notes should be read in conjunction with the Credit Linked Asset Conditions:

“**Additional Disruption Event**” means any of Change in Law, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Insolvency Filing, Loss of Stock Borrow, Force Majeure and/or Illegality in each case if specified in the relevant Issue Terms.

“**Additional Disruption Event Notice**” has the meaning given to that term in Credit Linked Asset Condition 2.13 (*Additional Disruption Events*).

“**Affiliate**” means in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, “**control**” of any entity or person means ownership of a majority of the voting power of the entity or person.

“**Aggregate Nominal Amount**” means, on the Issue Date, the aggregate nominal amount of the Notes of such Series specified in the relevant Issue Terms and, on any date thereafter, the aggregate nominal amount of the Notes of such Series outstanding on such date (taking into account the aggregate nominal amount of the Notes of such Series on the Issue Date and any amortisations, partial redemptions, including pursuant to the Credit Linked Asset Conditions, or further issues of the Notes of such Series on or prior to such date).

“**Applicable Auction**” means an Auction which the Calculation Agent determines is relevant to a Credit Event with respect to a Reference Entity and Obligations thereof and which relates to deliverable obligations which would constitute Reference Obligation(s) and/or Deliverable Obligation(s), as applicable, under the Notes (or if an Asset Package Credit Event has occurred, which relates to the Asset Package for obligations which would constitute Prior Deliverable Obligation(s) or Package Observable Bond(s), as applicable, under the Notes) (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s) and the relevant seniority level thereof, credit event, reference entity, obligations and deliverable obligations to which the Auction relates and, if the Auction relates to an M(M)R Restructuring, the scheduled maturity date of the Notes and the scheduled termination date of the credit derivatives transactions covered by the Auction and the maturity date of the deliverable obligations to which the Auction relates, and (b) any credit hedging transaction that the Bank has entered or may enter into in connection with the Notes).

“**Applicable Credit Derivatives Auction Settlement Terms**” means with respect to a Reference Entity, a Credit Event and an Applicable Auction, the Credit Derivatives Auction Settlement Terms (if any) which the Calculation Agent determines are relevant to the Notes (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s) and the relevant seniority level thereof, credit event, reference entity, obligation(s), deliverable obligations, Package Observable Bonds and Prior Deliverable Obligations (as applicable) which are the subject of the relevant Credit Derivatives Auction Settlement Terms and the Credit Events, Reference Entities and Obligations and Deliverable Obligations under the Notes and (b) any credit hedging transaction that the Bank has entered or may enter into in connection with the Notes). The Calculation Agent shall, as soon as practicable after the relevant Applicable Credit Derivatives Auction Settlement Terms are published, notify the Bank that Applicable Credit Derivatives Auction Settlement Terms have been published with respect to a Reference Entity and a Credit Event and make a copy thereof available for inspection by Noteholders at the specified office of the Fiscal Agent.

**“Applicable DC Credit Event Announcement”** means a DC Credit Event Announcement which the Calculation Agent determines is relevant to the Notes (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s), credit event, reference entity and obligation(s) thereof to which such DC Credit Event Announcement relates and the terms of the Notes and (b) any credit hedging transaction that the Bank has entered or may enter into in connection with the Notes).

**“Applicable DC Credit Event Meeting Announcement”** means a DC Credit Event Meeting Announcement which the Calculation Agent determines is relevant to the Notes (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s), credit event, reference entity and obligation(s) thereof which are the subject of the DC Credit Event Meeting Announcement) and (b) any credit hedging transaction that the Bank has entered or may enter into in connection with the Notes).

**“Applicable DC Credit Event Question”** means a DC Credit Event Question which the Calculation Agent determines is relevant to the Notes (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s), credit event, reference entity and obligation(s) thereof which are the subject of the DC Credit Event Question) and (b) any credit hedging transaction that the Bank has entered or may enter into in connection with the Notes).

**“Applicable DC Credit Event Question Dismissal”** means a DC Credit Event Question Dismissal which the Calculation Agent determines is relevant to the Notes (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s), credit event, reference entity and obligation(s) thereof which are the subject of the DC Credit Event Question Dismissal) and (b) any credit hedging transaction that the Bank has entered or may enter into in connection with the Notes).

**“Applicable DC No Credit Event Announcement”** means a DC No Credit Event Announcement which the Calculation Agent determines is relevant to the Notes (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s), credit event, reference entity and obligation(s) thereof which are the subject of the DC No Credit Event Announcement and the Credit Events, Reference Entities and Obligations thereof under the Notes and (b) any credit hedging transaction that the Bank has entered or may enter into in connection with the Notes).

**“Applicable Proportion”** means in respect of a redemption of a Credit Linked Note:

- (a) If the redemption is not as a result of an M(M)R Restructuring Credit Event and the Note is not a Linear Basket Note, 100 per cent.; or
- (b) If the redemption is not as a result of an M(M)R Restructuring Credit Event and Note is a Linear Basket Note, the Weighting of the affected Reference Entity or, if no Weighting is specified for such Reference Entity, an amount (expressed as a percentage) equal to the Reference Entity Notional Amount of the Reference Entity to which the relevant Credit Event or the relevant redemption relates divided by the Aggregate Nominal Amount of the Notes outstanding as at the related Event Determination Date (in respect of a Credit Event) or the Redemption Date (in respect of any other redemption); or
- (c) If the redemption is a result of an M(M)R Restructuring Credit Event, an amount (expressed as a percentage) equal to the Exercise Amount specified in the relevant Credit Event Notice relating to the relevant Reference Entity and Credit Event divided by the Aggregate Nominal Amount of the Notes outstanding as at the related Event Determination Date.

**“Applicable Resolution”** means a DC Resolution of a Credit Derivatives Determinations Committee which the Calculation Agent determines is relevant to the Notes (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s), credit event, succession event, reference entity and obligation(s) thereof and any other factor to which the DC Resolution relates and

the terms of the Notes and (b) any hedging transaction that the Bank has entered or may enter into in connection with the Notes).

**“Applicable Transaction Auction Settlement Terms”** means, with respect to a Reference Entity and a Credit Event, the relevant Credit Derivatives Auction Settlement Terms which the Calculation Agent determines constitute Applicable Credit Derivatives Auction Settlement Terms.

**“Asset”** means each obligation, equity, amount of cash, security, fee (including any “early-bird” or other consent fee), right and/or other asset, whether tangible or otherwise and whether issued, incurred, paid or provided by the Reference Entity or a third party (or any value which was realised or capable of being realised in circumstances where the right and/or other asset no longer exists).

**“Asset Market Value”** means the market value of an Asset, as the Calculation Agent shall determine by reference to an appropriate specialist valuation or in accordance with the methodology determined by the Credit Derivatives Determinations Committee.

**“Asset Package”** means, in respect of an Asset Package Credit Event, all of the Assets in the proportion received or retained by a Relevant Holder in connection with such relevant Asset Package Credit Event (which may include the Prior Deliverable Obligation or Package Observable Bond, as the case may be). If the Relevant Holder is offered, receives and retains nothing, the Asset Package shall be deemed to be zero. An Asset package shall be treated as having the same currency and Outstanding Principal Balance as that of the Prior Deliverable Obligation or Package Observable Bond (as applicable) to which it corresponds immediately prior to the Asset Package Credit Event.

**“Asset Package Credit Event”** means:

- (a) if “Financial Reference Entity Terms” and “Governmental Intervention” are specified as applicable in the relevant Issue Terms: (i) a Governmental Intervention; or (ii) a Restructuring in respect of the Reference Obligation of the relevant Reference Entity, if “Restructuring” is specified as applicable in the relevant Issue Terms and such Restructuring does not constitute a Governmental Intervention; and
- (b) if the Reference Entity is a Sovereign and “Restructuring” is specified as applicable in the relevant Issue Terms, a Restructuring,

in each case, whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the DC Credit Event Announcement.

**“Auction”** means, with respect to a Reference Entity and a Credit Event, unless otherwise specified in the Applicable Transaction Auction Settlement Terms an auction pursuant to which an Auction Final Price is to be determined in accordance with the auction procedure set out in the relevant Credit Derivatives Auction Settlement Terms.

**“Auction Cancellation Date”** means, with respect to an Auction, unless otherwise specified in the relevant Applicable Transaction Auction Settlement Terms, the date on which such Auction was deemed to have been cancelled as announced by the DC Secretary (and/or the administrators specified in the relevant Credit Derivatives Auction Settlement Terms) on its website or such other date as determined and announced in accordance with the relevant Applicable Transaction Auction Settlement Terms.

**“Auction Final Price”** means, with respect to an Applicable Auction, unless otherwise specified in the relevant Applicable Transaction Auction Settlement Terms, the price (expressed as a percentage) in respect of the deliverable obligations which would constitute Reference Obligation(s) and/or Deliverable Obligation(s) under the Notes of if an Asset Package Credit Event has resulted in such Applicable Auction, in respect of the Asset Package which results from either a Prior Deliverable Obligation or a Package Observable Bond under the Notes, determined to be the Auction Final Price in

accordance with the relevant Applicable Transaction Auction Settlement Terms. The Calculation Agent shall as soon as practicable after publication of the Auction Final Price in respect of an Applicable Auction make available for inspection by Noteholders at the specified office of the Fiscal Agent a copy of the relevant Applicable Transaction Auction Settlement Terms and copies of the relevant publication of the Auction Final Price. If an Asset Package Credit Event has occurred and the Calculation Agent determines that the Auction Final Price does not reflect the entire relevant Asset Package (including any cash forming part of the Asset Package and any cash in respect of the Asset Market Value of any Non-Financial Instrument or Non-Transferable Instrument), the Calculation Agent may make such adjustment as it deems necessary to the Auction Final Price in accordance with Credit Linked Asset Condition 2.5.4 (*Auction Final Price of the Asset Package*).

“**Auction Final Price Determination Date**” means, with respect to an Applicable Auction, the day, if any, on which the Auction Final Price is determined or such other date as specified in the relevant Applicable Transaction Auction Settlement Terms.

“**Auction Redemption Amount**” means, in respect of each Credit Linked Note, unless otherwise specified in the relevant Issue Terms, an amount calculated by the Calculation Agent equal to the greater of zero and  $[A \times B \times C] - D$  where:

“**A**” is the Specified Denomination of the Note;

“**B**” is the Applicable Proportion;

“**C**” is the Auction Final Price; and

“**D**” is the Credit Event Unwind Costs.

“**Auction Redemption Date**” means the date as notified by the Bank that is not earlier than the date which is the number of Business Days specified in the Applicable Transaction Auction Settlement Terms (or, if a number of Business Days is not specified, three Business Days) immediately following the Auction Final Price Determination Date (the “**Auction Settlement Date**”) and not later than five Business Days following the Auction Settlement Date.

“**Bank Business Day**” means a day on which commercial banks and foreign exchange markets are generally open to settle payments in London.

“**Bankruptcy**” means the Reference Entity (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger), (b) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due, (c) makes a general assignment, arrangement, scheme or composition with or for the benefit of its creditors generally, or such a general assignment, arrangement, scheme or composition becomes effective, (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other similar relief under any bankruptcy or insolvency law or other law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within thirty calendar days of the institution or presentation thereof, (e) has a resolution passed for its winding-up or liquidation (other than pursuant to a consolidation, amalgamation or merger), (f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets, (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty calendar days



thereafter, or (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in sub-paragraphs (a) to (g) of this definition.

“**Cash Redemption Amount**” means, in respect of each Credit Linked Note, unless otherwise specified in the relevant Issue Terms, an amount calculated by the Calculation Agent equal to the greater of zero and  $[A \times B \times C] - D$  where:

“**A**” is the Specified Denomination of the Note;

“**B**” is the Applicable Proportion;

“**C**” is the Final Price or, in respect of a Fixed Recovery Note, the Fixed Recovery Percentage; and

“**D**” is the Credit Event Unwind Costs.

“**Cash Redemption Date**” means (a) if the Notes are not Fixed Recovery Notes or Principal Protected Notes, subject to the provisions of Credit Linked Asset Condition 2.10 (*Effect of DC Announcements*), the date that is the number of Business Days specified in the relevant Issue Terms (or, if a number of Business Days is not so specified, five Business Days) following the calculation of the Final Price, and (b) if the Notes are Fixed Recovery Notes or Principal Protected Notes, the date that is the number of Business Days specified in the related relevant Issue Terms (or, if a number of Business Days is not so specified, five Business Days) following (i) the Event Determination Date, or (ii) if the Event Determination Date occurs pursuant to sub-paragraph (a)(ii) of the definition of “Event Determination Date” or sub-paragraph (b)(i) of the definition of “Non-Standard Event Determination Date”, the day on which the Applicable DC Credit Event Announcement occurs and (c) if “Cash Redemption” is applicable as the Fallback Redemption Method, the date that is the number of Business Days specified in the related relevant Issue Terms (or, if a number of Business Days is not so specified, five Business Days) any Auction Cancellation Date or any No Auction Announcement Date, if later.

“**Change in Law**” means that, on or after the Trade Date (as specified in the relevant Issue Terms), (a) due to the adoption of or any change in any relevant law or regulation (including, without limitation, any tax law) or (b) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any relevant law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that (i) it has become illegal to hold, acquire or dispose of Hedge Positions or (ii) the Issuer will incur a materially increased cost in performing its obligations in relation to the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer, any Hedging Party and/or any of their respective Affiliates).

“**Conditionally Transferable Obligation**” means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Modified Eligible Transferees without the consent of any person being required, in the case of any Deliverable Obligation other than Bonds, in each case, as of the Delivery Date, provided, however, that a Deliverable Obligation other than Bonds will be a Conditionally Transferable Obligation notwithstanding that consent of the Reference Entity or the guarantor, if any, of a Deliverable Obligation other than Bonds (or the consent of the relevant obligor of the Reference Entity is guaranteeing such Deliverable Obligation) or any agent is required for such novation, assignment or transfer to so long as the terms of such Deliverable Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered to be a requirement for consent for purposes of this definition of “Conditionally Transferable Obligation”.

**“Conforming Reference Obligation”** means a Reference Obligation which is a Deliverable Obligation determined in accordance with sub-paragraph (a) of the definition of “Deliverable Obligation”.

**“Continuing Redemption Failure Event”** has the meaning given to it in Credit Linked Asset Condition 2.9.2 (*Continuing Redemption Failure Event*).

**“Credit Derivatives Auction Settlement Terms”** means any Credit Derivatives Auction Settlement Terms published by ISDA a form of which will be published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and may be amended from time to time. The Calculation Agent shall be authorised to construe any Credit Derivatives Auction Settlement Terms (including any Transaction Auction Settlement Terms or Parallel Auction Settlement Terms) in such manner as it shall determine in its discretion, acting in a commercially reasonable manner, to be necessary in order to give effect to the meaning of any word or expression used herein which is defined by reference to such Credit Derivatives Auction Settlement Terms.

**“Credit Derivatives Determinations Committee”** means each committee established pursuant to the DC Rules for purposes of reaching certain DC Resolutions.

**“Credit Event”** means, as determined by the Calculation Agent, the occurrence of one or more of the following Credit Events as specified in the relevant Issue Terms: Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium, Restructuring or Governmental Intervention. If an occurrence would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon:

- (a) any lack or alleged lack of authority or capacity of the Reference Entity to enter into any Obligation or, as applicable, an Underlying Obligor to enter into any Underlying Obligation;
- (b) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation or, as applicable, any Underlying Obligation, however described;
- (c) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described; or
- (d) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, however described.

**“Credit Event Backstop Date”** means (a) for the purposes of any event that constitutes a Credit Event (or, with respect to a Repudiation/Moratorium, if applicable, the event described in sub-paragraph (b) of the definition thereof), as determined by DC Resolution, the date that is 60 calendar days prior to the Credit Event Resolution Request Date or (b) otherwise, the date that is 60 calendar days prior to the earlier of (i) the “Notice Delivery Date, if the Notice Delivery Date occurs during the Notice Delivery Period and (ii) the Credit Event Resolution Request Date, if the Notice Delivery Date occurs during the Post Dismissal Additional Period. The Credit Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

**“Credit Event Notice”** means an irrevocable notice from the Bank to the Fiscal Agent which the Bank has the right but not the obligation to deliver that:

- (a) identifies the Series of Credit Linked Notes to which the Credit Event Notice relates;
- (b) states the Bank’s intention to redeem all (or, with respect to Linear Basket Notes, the Applicable Proportion thereof) of the Credit Linked Notes and the relevant Credit Event Redemption Method;

- (c) describes a Credit Event that occurred on or after the Credit Event Backstop Date and on or prior to the Extension Date; and
- (d) if “Cash or Physical Redemption or Auction Redemption” or “Cash or Physical Redemption” is specified as the Credit Event Redemption Method in the relevant Issue Terms, the Bank shall notify Noteholders of its election to redeem the Credit Linked Notes by Cash Redemption or Physical Redemption or Auction Redemption (in case of “Cash or Physical Redemption or Auction Redemption”) (and the applicable Fallback Redemption Method) or by Cash Redemption or Physical Redemption (in case of “Cash or Physical Redemption”) as soon as reasonably practicable.

Any Credit Event Notice that describes a Credit Event that occurred after the Scheduled Maturity Date must relate to the relevant Potential Failure to Pay, in the case of a Grace Period Extension Date, or the relevant Potential Repudiation/Moratorium, in the case of a Repudiation/Moratorium Evaluation Date.

A Credit Event Notice that describes a Credit Event other than an M(M)R Restructuring must be in respect of the full principal amount of the Notes in the relevant Series.

A Credit Event Notice must contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred. The Credit Event that is the subject of the Credit Event Notice need not be continuing on the date the Credit Event Notice is effective.

**“Credit Event Redemption Method”** means “Auction Redemption”, “Physical Redemption”, “Cash Redemption”, “Principal Protected Redemption”, “Fixed Recovery Redemption”, “Cash or Physical Redemption” or “Cash or Physical Redemption or Auction Redemption” as specified in the relevant Issue Terms.

**“Credit Event Resolution Request Date”** means, with respect to a DC Credit Event Question, the date, as publicly announced by the DC Secretary, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which the DC Credit Event Question was effective and on which the relevant Credit Derivatives Determinations Committee was in possession of Publicly Available Information with respect to such DC Credit Event Question.

**“Credit Event Unwind Costs”** means an amount determined by the Calculation Agent relating to the costs and expenses incurred by the Bank or an Affiliate of the Bank in terminating, liquidating, obtaining or re-establishing any related hedging or trading position in connection with the Notes as a result of a Credit Event occurring. Where such amount represents a cost to the Bank it shall be expressed as a positive amount and where such amount represents an amount payable to the Bank it shall be expressed as a negative amount.

**“Currency Amount”** means, with respect to (a) a Deliverable Obligation specified in a Notice of Physical Settlement that is denominated in a currency other than the Settlement Currency, an amount converted to the Settlement Currency using a conversion rate determined by reference to the Currency Rate and (b) a Replacement Deliverable Obligation specified in a NOPS Amendment Notice, an amount converted to the Settlement Currency (or, if applicable, back into the Settlement Currency) using a conversion rate determined by reference to the Currency Rate, if any, and each Revised Currency Rate used to convert each Replaced Deliverable Obligation Outstanding Amount specified in each NOPS Amendment Notice into the currency of denomination of the relevant Replacement Deliverable Obligation.

**“Currency Rate”** means with respect to (a) a Deliverable Obligation specified in the Notice of Physical Settlement, the rate of conversion between the Settlement Currency and the currency in which the Outstanding Amount of such Deliverable Obligation is denominated that is either (i) determined by reference to the Currency Rate Source as at the Next Currency Fixing Time or (ii) if such rate is not

available at such time, as the Calculation Agent shall determine and (b) a Replacement Deliverable Obligation specified in a NOPS Amendment Notice, the Revised Currency Rate.

“**Currency Rate Source**” means the mid-point rate of conversion published by WM/Reuters at 4:00 p.m. (London time), or any successor rate source approved by the relevant Credit Derivatives Determinations Committee.

“**CUSIP**” means, with respect to a security, the “CUSIP” identification number assigned to such security (if any).

“**DC Announcement Coverage Cut-off Date**” means, with respect to a DC Credit Event Announcement, the Auction Final Price Determination Date, the Auction Cancellation Date, or the date that is 14 calendar days following the No Auction Announcement Date, if any, as applicable.

“**DC Credit Event Announcement**” means, with respect to the Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Credit Event for the purposes of the relevant Series has occurred on or after the Credit Event Backstop Date and on or prior to the Extension Date provided that if the Credit Event occurred after the Scheduled Maturity Date, the DC Credit Event Announcement must relate to the relevant Potential Failure to Pay, in the case of a Grace Period Extension Date, or the relevant Repudiation/Moratorium, in the case of a Repudiation/Moratorium Evaluation Date.

“**DC Credit Event Meeting Announcement**” means, with respect to the relevant Reference Entity, a public announcement by the DC Secretary that a Credit Derivatives Determinations Committee will be convened to Resolve the matters described in a DC Credit Event Question.

“**DC Credit Event Question**” means a notice to the DC Secretary requesting that a Credit Derivatives Determinations Committee be convened to Resolve whether an event that constitutes a Credit Event in respect to a Reference Entity of the relevant Series has occurred.

“**DC Credit Event Question Dismissal**” means, with respect to the Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in a DC Credit Event Question.

“**DC No Credit Event Announcement**” means, with respect to the relevant Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved that an event that is the subject of a DC Credit Event Question does not constitute a Credit Event with respect to such Reference Entity.

“**DC Resolution**” means a resolution of the Credit Derivatives Determinations Committee in accordance with the definition of “Resolve” below.

“**DC Rules**” means the Credit Derivatives Determinations Committee Rules, as published by ISDA on its website [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms hereof.

“**DC Secretary**” means ISDA or such other entity designated as DC Secretary in accordance with the DC Rules.

“**Default Requirement**” means the amount specified as such in the relevant Issue Terms or its equivalent in the relevant Obligation Currency (or, if no such amount is specified, USD 10,000,000 or its equivalent in the relevant Obligation Currency) in either case, as of the occurrence of the Relevant Credit Event.

“**Deliver**” means to deliver, novate, transfer (including, in the case of a Guarantee, transfer of the benefit of the Guarantee), assign or sell, as appropriate, in the manner customary for the settlement of

the applicable Deliverable Obligations (which shall include executing all necessary documentation and taking any other necessary actions), in order to convey all right, title (or, with respect to Deliverable Obligations where any equitable title is customarily conveyed, all equitable title) and interest in the Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, to the relevant Noteholder free and clear of any and all liens, charges, claims or encumbrances (excluding any liens routinely imposed on all securities in a relevant clearing system, but including, without limitation, any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in sub-paragraphs (a) to (d) of the definition of “Credit Event”) or right of set-off by or of the Reference Entity or any applicable Underlying Obligor) provided that (a) if a Deliverable Obligation is a Direct Loan Participation, “**Deliver**” means to create (or procure the creation of) a participation in favour of the relevant Noteholder and (b) if a Deliverable Obligation is a Guarantee, “**Deliver**” means to Deliver both the Underlying Obligation and the Guarantee, provided further that if the Guarantee has a Fixed Cap, “**Deliver**” means to Deliver the Underlying Obligation, the Guarantee and all claims to any amounts which are subject to such Fixed Cap. “**Delivery**” and “**Delivered**” will be construed accordingly. In the case of a Loan, Delivery shall be effected using documentation substantially in the form of the documentation customarily used in the relevant market for Delivery of such Loan at that time provided further that each of the Bank and each Noteholder agrees to comply with the provisions of any documentation (which shall be deemed to include any market advisory that the relevant Credit Derivatives Determinations Committee Resolves to approve for such purpose) that the relevant Credit Derivatives Determinations Committee Resolves constitutes documentation customarily used in the relevant market for Delivery of such Loan at that time, as such documentation may be amended to the extent the relevant Credit Derivatives Determinations Committee Resolves is appropriate, which is consistent with the delivery and payment obligations of the parties hereunder. The Bank and each Noteholder further agrees that compliance by it with the provisions of any such documentation, shall be required for, and, without further action, constitute, Delivery for the purposes of this definition (to the extent that such documentation contains provisions describing how Delivery should be effected) and neither the Bank nor any Noteholder shall be permitted to request that the other take, nor shall it be required to take, any action under Credit Linked Asset Condition 2.6.2 (*Physical Redemption Assets*) unless otherwise contemplated by such documentation.

“**Deliverable Obligation**” means:

- (a) any obligation of the Reference Entity (either directly or as provider of a Relevant Guarantee) determined pursuant to the “Method for determining Deliverable Obligations” below;
- (b) the Reference Obligation of the relevant Reference Entity;
- (c) solely in relation to a Restructuring Credit Event applicable to a Reference Entity which is a Sovereign, and unless Asset Package Delivery is applicable, any Sovereign Restructured Deliverable Obligation; and
- (d) if Asset Package Delivery is applicable, any Prior Deliverable Obligation (if, “Financial Reference Entity Terms” is specified as applicable in the relevant Issue Terms) or any Package Observable Bond (if the Reference Entity is a Sovereign),

in each case, (i) unless it is an Excluded Deliverable Obligation and (ii) provided that the obligation has an Outstanding Principal Balance or Due and Payable Amount that is greater than zero (determined for the purposes of sub-paragraph (d) of this definition, immediately prior to the relevant Asset Package Credit Event).

#### **Method for determining Deliverable Obligations**

- (i) A Deliverable Obligation shall be each obligation of the Reference Entity described by the Deliverable Obligation Category specified in the relevant Issue Terms, and, subject to Credit

Linked Asset Condition 2.20 (*Interpretation of Obligation Characteristics and Deliverable Obligation Characteristics*), having each of the Deliverable Obligation Characteristics, if any, specified in the relevant Issue Terms, in each case, as of the Delivery Date (unless otherwise specified in the relevant Issue Terms). The following terms shall have the following meanings:

- (A) “**Deliverable Obligation Category**” means one of Payment, Borrowed Money, Reference Obligation Only, Bond, Loan, or Bond or Loan (each as defined in the definition of “Obligation” below, except that, for the purposes of determining Deliverable Obligations, the definition of “Reference Obligation Only” shall be amended to state that no Deliverable Obligation Characteristics shall be applicable to Reference Obligation Only).
- (B) “**Deliverable Obligation Characteristics**” means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed, Not Domestic Issuance, (each as defined in the definition of “Obligation” below), Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.

If an obligation would have been capable of being specified as a Deliverable Obligation immediately prior to a Credit Event in respect of a Reference Entity, such obligation (as in effect after such Credit Event) shall continue to be able to constitute a Deliverable Obligation after the occurrence of such Credit Event. If it is not possible or reasonably practicable to specify any Obligation as a Deliverable Obligation of the Reference Entity because there is or will be no Deliverable Obligation in existence at any time, the Calculation Agent shall designate by notice (which shall be in writing (including by facsimile and/or by email)) to the Fiscal Agent one or more bonds, loans, instruments, certificates or other obligations which have been or will be issued in exchange, whether pursuant to a mandatory or voluntary exchange, for one or more bonds, loans, instruments, certificates or obligations of the Reference Entity that would have been capable of being specified as a Deliverable Obligation immediately prior to the occurrence of the Relevant Credit Event of the Reference Entity, provided, that failure to deliver such notice shall not affect the effectiveness of such designation.

- (A) “**Accelerated or Matured**” means an obligation under which the principal amount owed, whether by reason of maturity, acceleration, termination or otherwise, is due and payable in full in accordance with the terms of such obligation, or would have been but for, and without regard to, any limitation imposed under any applicable insolvency laws;
- (B) “**Assignable Loan**” means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction of organisation) that are not then a lender or a member of the relevant lending syndicate, without the consent of the Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if the Reference Entity is guaranteeing such Loan) or any agent;
- (C) “**Consent Required Loan**” means a Loan that is capable of being assigned or novated with the consent of the Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if the Reference Entity is guaranteeing such Loan) or any agent;
- (D) “**Direct Loan Participation**” means a Loan in respect of which, pursuant to a participation agreement, Bank is capable of creating, or procuring the creation of, a contractual right in favour of each Noteholder that provides each Noteholder with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between each Noteholder and either (A) the Bank (to the extent the Bank is then a lender or a member of the relevant lending syndicate), or (B) any lender or member of the relevant lending syndicate nominated by the Bank or the Calculation Agent;

- (E) “**Maximum Maturity**” means an obligation that has a remaining maturity of not greater than the period specified in the relevant Issue Terms (or if no such period is specified, 30 years);
- (F) “**Not Bearer**” means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via the Euroclear system, Clearstream International or any other internationally recognised clearing system; and
- (G) “**Transferable**” means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction provided that none of the following shall be considered contractual, statutory or regulatory restrictions:
- I contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the US Notes Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation);
  - II restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds; or
  - III restrictions in respect of blocked periods on or around payment dates or voting periods;

“**Deliverable Obligation Notice**” has the meaning given to it in Credit Linked Asset Condition 2.6.1 (*Delivery of Physical Redemption Assets*).

“**Deliverable Obligation Provisions**” means the provisions of the Credit Linked Notes that specify criteria for establishing what obligations may constitute Deliverable Obligations.

“**Deliverable Obligation Terms**” has the meaning set out in the relevant Credit Derivatives Auction Settlement Terms.

“**Delivery Date**” means, with respect to a Deliverable Obligation or an Asset Package, the date on which such Deliverable Obligation is Delivered (or deemed to be delivered in accordance with the definition of “Deliver”).

“**Delivery Expenses**” means all costs, taxes, duties and/or expenses, including stamp duty, stamp duty reserve tax and/or other costs, duties or taxes arising from the delivery of the Physical Redemption Assets.

“**Domestic Currency**” means the currency specified as such in the relevant Issue Terms and any successor currency thereto (or if no such currency is specified, the lawful currency and any successor currency of (a) the relevant Reference Entity, if the Reference Entity is a Sovereign, or (b) the jurisdiction in which the Reference Entity is organised, if the Reference Entity is not a Sovereign).

“**Domestic Law**” means each of the laws of (a) the Reference Entity, if such Reference Entity is a Sovereign, or (b) the jurisdiction in which the Reference Entity is organised, if such Reference Entity is not a Sovereign.

“**Downstream Affiliate**” means an entity whose outstanding Voting Shares were, at the date of issuance of the Qualifying Guarantee, more than 50 per cent owned, directly or indirectly, by the Reference Entity.

“**Due and Payable Amount**” means the amount that is due and payable by the Reference Entity under the obligation whether by reason of maturity, acceleration, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts) less all or any portion of such amount which, pursuant to the terms of the obligation (a) is subject to any Prohibited Action, or (b) may otherwise be reduced as a result of the effluxion of time or the occurrence or non-occurrence of an event or circumstance (other than by way of (i) payment or (ii) a Permitted

Contingency), in each case, determined in accordance with the terms of the obligation in effect on either (A) the Delivery Date or (B) the Valuation Date, as applicable.

“**Eligible Information**” means information which is publicly available or which can be made public without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information.

“**Eligible Transferee**” means

- (a) any:
  - (i) bank or other financial institution;
  - (ii) insurance or reinsurance company;
  - (iii) mutual fund, unit trust or similar collective investment vehicle (other than an entity specified in sub-paragraph (c)(i) of this definition); and
  - (iv) registered or licensed broker or dealer (other than a natural person or proprietorship), provided, however, in each case that such entity has total assets of at least USD 500,000,000;
- (b) an Affiliate of an entity specified in the sub-paragraph (a) of this definition;
- (c) each of a corporation, partnership, proprietorship, organisation, trust or other entity:
  - (i) that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralised debt obligation, commercial paper conduit or other special purpose vehicle) that (A) has total assets of at least USD 100,000,000 or (B) is one of a group of investment vehicles under common control or management having, in the aggregate, total assets of at least USD 100,000,000;
  - (ii) that has total assets of at least USD 500,000,000; or
  - (iii) the obligations of which under an agreement, contract or transaction are guaranteed or otherwise supported by a letter of credit or keepwell, support or other agreement by an entity described in sub-paragraph (a), (b), (c)(ii) or (d) of this definition; and
- (d)
  - (i) any Sovereign; or
  - (ii) any entity or organisation established by treaty or other arrangement between two or more Sovereigns including, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development.

All references in this definition of “Eligible Transferee” to USD include equivalent amounts in other currencies as determined by the Calculation Agent.

“**Euroclear**” means Euroclear Bank SA/NV

“**Event Determination Date**” means, with respect to a Credit Event:

- (a) a Series where “Auction Redemption” is specified as the applicable Credit Event Redemption Method and “Event Determination Date Version B” is not specified to be applicable in the relevant Issue Terms:
  - (i) subject to sub-paragraph (ii) of this definition, the Notice Delivery Date, if the Notice Delivery Date occurs during either the Notice Delivery Period or the Post Dismissal Additional Period, provided that neither (A) a DC Credit Event Announcement has



occurred nor (B) a DC No Credit Event Announcement has occurred, in each case, with respect to the Credit Event specified in the Credit Event Notice; or

- (ii) notwithstanding sub-paragraph (i) of this definition, the Credit Event Resolution Request Date, if a DC Credit Event Announcement has occurred, the Credit Event Resolution Request Date has occurred on or prior to the last day of the Notice Delivery Period (including prior to the Trade Date) and either:
  - (A) (I) the Credit Event is not an M(M)R Restructuring; and (II) the Trade Date occurs on or prior to a DC Announcement Coverage Cut-off Date; or
  - (B) (I) the Credit Event is an M(M)R Restructuring; and (II) a Credit Event Notice is delivered by a Notifying Party to the other party and is effective on or prior to the Exercise Cut-off Date,

provided that:

- (1) no Redemption Date, in respect of the relevant Reference Entity has occurred on or prior to the date on which the Applicable DC Credit Event Meeting Announcement occurs;
  - (2) if any Valuation Date or Delivery Date, as applicable, in respect of the relevant Reference Entity has occurred on or prior to the date on which the Applicable DC Credit Event Meeting Announcement occurs, an Event Determination Date shall be deemed to have occurred only with respect to the portion of the Aggregate Nominal Amount of the Credit Linked Notes or, if the Notes are Linear Basket Notes, the Reference Entity Notional Amount of the Reference Entity to which the Event Determination Date relates, if any, with respect to which no Valuation Date or Delivery Date, as applicable, has occurred; and
  - (3) no Credit Event Notice specifying an M(M)R Restructuring as the only Credit Event has previously been delivered by the Bank to the Fiscal Agent, (aa) unless the M(M)R Restructuring specified in such Credit Event Notice is also the subject of the Applicable DC Credit Event Question resulting in the occurrence of the Credit Event Resolution Request Date, (bb) unless, and to the extent that, the Exercise Amount specified in such Credit Event Notice was less than the Aggregate Nominal Amount of the Credit Linked Notes or, if the Notes are Linear Basket Notes, the Reference Entity Notional Amount of the affected Reference Entity, or (cc) unless a credit derivatives transaction with the same tenor and deliverable obligation provisions as the Credit Linked Notes would be an “Auction Covered Transaction” for the purpose of the relevant Credit Derivatives Auction Settlement Terms and the Deliverable Obligations set out on the Final List are identical to the Permissible Deliverable Obligations for such Series; or
- (b) a Series where sub-paragraph (a) of this definition does not apply, the Non-Standard Event Determination Date.

Notwithstanding the foregoing, and unless the Bank or the Calculation Agent otherwise elects by notice to the Fiscal Agent, no Event Determination Date will occur with respect to an event, and any Event Determination Date previously determined with respect to an event shall be deemed not to have occurred, if, or to the extent that, prior to the Auction Final Price Determination Date, a Valuation Date, the Physical Redemption Date (or, if earlier, a Delivery Date), or the Scheduled Maturity Date or the Extended Maturity Date, as applicable, a DC No Credit Event Announcement occurs with respect to such event.

**“Excluded Deliverable Obligation”** means:

- (a) any obligation of the Reference Entity specified as such or of a type described in the relevant Issue Terms;
- (b) any principal only component of a Bond from which some or all of the interest components have been stripped; and
- (c) if Asset Package Delivery is applicable, any obligation issued or incurred on or after the date of the relevant Asset Package Credit Event.

**“Excluded Obligation”** means:

- (a) any obligation of a Reference Entity specified as such or of a type specified in the relevant Issue Terms;
- (b) if “Financial Reference Entity Terms” is specified as applicable in the relevant Issue Terms and the relevant Reference Entity is a Senior Reference Entity, then for purposes of determining whether a Governmental Intervention or Restructuring has occurred, any Subordinated Obligation; and
- (c) if “Financial Reference Entity Terms” is specified as applicable in the relevant Issue Terms and the relevant Reference Entity is a Subordinated Reference Entity, then for purposes of determining whether a Governmental Intervention or Restructuring has occurred, any Further Subordinated Obligation.

**“Exercise Amount”** has the meaning given to that term in Credit Linked Asset Condition 2.4.1 (*M(M)R Restructuring Credit Event*).

**“Exercise Cut-Off Date”** means either:

- (a) with respect to an M(M)R Restructuring and a Series to which sub-paragraph (a) of the definition of “Event Determination Date” applies:
  - (i) if the DC Secretary publishes a Final List applicable to the Applicable Transaction Auction Settlement Terms and/or Parallel Auction Settlement Terms may be published, the date that is seven Relevant City Business Days following the date on which such Final List is published; or
  - (ii) otherwise, the date that is 14 calendar days following the relevant No Auction Announcement Date; or
- (b) with respect to a Credit Event and a Series to which sub-paragraph (a) of the definition of “Event Determination Date” does not apply, the Non-Standard Exercise Cut-off Date,

or, in each case, such other date as the relevant Credit Derivatives Determinations Committee Resolves.

**“Extended Maturity Date”** means, if Maturity Date Extension applies pursuant to Credit Linked Asset Condition 2.3 (*Maturity Date Extension*) and no Relevant Event Determination Date occurs on or prior to the Notes Extension Date, the date falling 5 Business Days after the Notes Extension Date or, if Maturity Date Extension applies pursuant to Credit Linked Asset Condition 2.3 (*Maturity Date Extension*) and a Relevant Event Determination Date occurs on or prior to the Notes Extension Date, the Auction Redemption Date, the Cash Redemption Date or, in respect of Credit Linked Notes subject to the provisions of Credit Linked Asset Condition 2.6 (*Physical Redemption Terms*), the Final Delivery Date or such date as is determined in accordance with the partial cash settlement terms in Credit Linked Asset Condition 2.6.5 (*Partial Cash Redemption due to Impossibility or Illegality*) or the Cash Redemption Date determined pursuant to the partial cash settlement terms set out in Credit

Linked Asset Condition 2.6.10 (*Partial Cash Redemption Terms and Fallback Cash Redemption Terms*).

“**Extension Date**” means, with respect to a Reference Entity, the latest of (a) the Scheduled Maturity Date, (b) the Grace Period Extension Date if (i) “Failure to Pay” and “Grace Period Extension” are specified as being applicable in the relevant Issue Terms, and (ii) the Potential Failure to Pay with respect to the relevant Failure to Pay occurs on or prior to the Scheduled Maturity Date and (c) the Repudiation/Moratorium Evaluation Date (if any) if “Repudiation/Moratorium” is specified as applicable in the relevant Issue Terms, as applicable.

“**Failure to Pay**” means, after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by the Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, in accordance with the terms of such Obligations at the time of such failure.

If an occurrence that would constitute a Failure to Pay (a) is a result of a redenomination that occurs as a result of action taken by a Governmental Authority which is of general application in the jurisdiction of such Governmental Authority and (b) a freely available market rate of conversion existed at the time of the redenomination, then such occurrence will be deemed not to constitute a Failure to Pay unless the redenomination itself constituted a reduction in the rate or amount of interest, principal or premium payable (as determined by reference to such freely available market rate of conversion) at the time of such redenomination.

“**Fallback Redemption Method**” means, with respect to a Series for which “Auction Redemption” is the Credit Event Redemption Method, if “Cash Redemption” is specified as the Fallback Redemption Method in the relevant Issue Terms, Cash Redemption, otherwise Physical Redemption.

“**Final Auction Redemption Amount**” means, in respect of each Note:

- (a) if the Notes are not Linear Basket Notes, the Auction Redemption Amount, or if an (M(M)R Restructuring Credit Event has occurred, the sum of the Auction Redemption Amounts determined in respect of each exercise following such M(M)R Restructuring Credit Event; and
- (b) in respect of Linear Basket Notes, an amount calculated by the Calculation Agent equal to the greater of zero and  $[A - B] + C - D$  where:

“**A**” is the Specified Denomination of the Note;

“**B**” is the aggregate of the amounts calculated in respect of each Reference Entity in respect of which a Relevant Event Determination Date has occurred equal to the sum of, for each affected Reference Entity,  $A \times F$ ;

“**C**” is the aggregate of the amount calculated in respect of each Reference Entity in respect of which a Relevant Event Determination Date has occurred equal to the sum of, for each affected Reference Entity,  $A \times F \times E$ ;

“**D**” is the Credit Event Unwind Costs;

“**E**” is the Auction Final Price; and

“**F**” is the Applicable Proportion.

“**Final Auction Redemption Date**” has the meaning given in Credit Linked Asset Condition 2.5.1 (*Redemption of the Credit Linked Notes where Auction Redemption applies*).

“**Final Cash Redemption Amount**” means, in respect of each Note:

- (a) in respect of Notes which are not Linear Basket Notes, the Cash Redemption Amount, or if an M(M)R Restructuring Credit Event has occurred, the sum of the Cash Redemption Amounts determined in respect of each exercise following such M(M)R Restructuring Credit Event; and
- (b) in respect of Linear Basket Notes, the amount specified as such in the relevant Issue Terms or if no such amount is specified in the relevant Issue Terms, an amount calculated by the Calculation Agent equal to the greater of zero and  $[A - B] + C - D$ , where:

“**A**” is the Specified Denomination of the Note;

“**B**” is the aggregate of the amounts calculated in respect of each Reference Entity in respect of which a Relevant Event Determination Date has occurred equal to the sum of, for each affected Reference Entity,  $A \times F$ ;

“**C**” is the aggregate of the amounts calculated in respect of each Reference Entity in respect of which a Relevant Event Determination Date has occurred equal to the sum of, for affected Reference Entity,  $A \times F \times E$ ;

“**D**” is the Credit Event Unwind Costs;

“**E**” is the Final Price; and

“**F**” is the Applicable Proportion.

provided that, if the Note is a Fixed Recovery Note then the Final Cash Redemption Amount shall be calculated as set out above provided that “**E**” shall be the Fixed Recovery Percentage specified in the relevant Issue Terms.

“**Final Cash Redemption Date**” has the meaning given in Credit Linked Asset Condition 2.7.1(b) (*Redemption of Credit Linked Notes where Cash Redemption applies*).

“**Final Delivery Date**” means, in respect of a Physical Redemption Date, the final Delivery Date to occur with respect to Deliverable Obligations comprised in the Physical Redemption Assets pertaining to such Physical Redemption Date.

“**Final List**” means the final list of Deliverable Obligations, Package Observable Bonds, Prior Deliverable Obligations (as applicable) and/or Assets which are the subject of the related Auction determined by the Credit Derivatives Determinations Committee in accordance with the DC Rules.

“**Final Price**” means the price of the Deliverable Obligation(s) selected by the Calculation Agent in its discretion, acting in a commercially reasonable manner, expressed as a percentage, determined in accordance with the specified Valuation Method, provided that for the purposes of identifying the Deliverable Obligations for the purposes of determining the Final Price, references to “Delivery Date” in the definition of “Deliverable Obligation” and in Credit Linked Asset Condition 2.20 (*Interpretation of Obligation Characteristics and Deliverable Obligation Characteristics*) shall be deemed to be reference to “Valuation Date” and provided further that if an Asset Package Credit Event has occurred any Deliverable Obligation which is a Prior Deliverable Obligation or a Package Observable Bond (as applicable) shall include the resulting Asset Package and the Final Price for such Deliverable Obligation or Package Observable Bond shall be the Final Price for the relevant Asset Package determined in accordance with Credit Linked Asset Condition 2.7.2 (*Determination of the Final Price*).

“**Fixed Cap**” means, with respect to a Guarantee, a specified numerical limit or cap on the liability of the Reference Entity in respect of some or all payments due under the Underlying Obligation, provided that a Fixed Cap shall exclude a limit or cap determined by reference to a formula with one or more

variable inputs (and for these purposes, the outstanding principal or other amounts payable pursuant to the Underlying Obligation shall not be considered to be variable inputs).

“**Fixed Recovery Notes**” means a Series of Notes in respect of which the Cash Redemption Amount or Final Cash Redemption Amount, as applicable, per Note is a fixed percentage of the Applicable Proportion of the outstanding principal amount of the Note.

“**Fixed Recovery Percentage**” means, in respect of a Fixed Recovery Note, the percentage specified as such in the relevant Issue Terms.

“**Force Majeure**” means that the Issuer or the Calculation Agent shall have determined, acting in a commercially reasonable manner, that the performance of any of the Issuer’s obligations with respect to the Notes and/or that any arrangements made to hedge the Issuer’s obligations with respect to the Notes shall have or will become or would be (as the case may be), impossible or impracticable to comply with, in whole or in part, due to reasons outside of the Issuer or Calculation Agent’s control (including, but not limited to, any natural, systems, facilities, technological, political or other cause) and which cannot be overcome by reasonable diligence and/or without unreasonable expense.

“**Full Quotation**” means, in accordance with the Quotation Method, each firm quotation obtained from a Quotation Dealer at the Valuation Time, to the extent reasonably practicable, for an amount of the Reference Obligation with an Outstanding Principal Balance or Due and Payable Amount, as applicable, equal to the Quotation Amount.

“**Fully Transferable Obligation**” means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Eligible Transferees without the consent of any person being required, in the case of any Deliverable Obligation other than Bonds, in each case, as of the Delivery Date. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent, for a Deliverable Obligation shall not be considered to be a requirement for consent for the purposes of this definition of “Fully Transferable Obligation”.

“**Further Subordinated Obligation**” means, if the Reference Obligation or Prior Reference Obligation, as applicable, is a Subordinated Obligation, any obligation which is Subordinated thereto.

“**Governmental Authority**” means:

- (a) any *de facto* or *de jure* government (or any agency, instrumentality, ministry or department thereof);
- (b) any court, tribunal, administrative or other governmental authority, inter-governmental or supranational body; or
- (c) any authority or any other entity (private or public) either designated as a resolution authority or charged with the regulation or supervision of the financial markets (including a central bank) of the Reference Entity or some or all of its obligations; or
- (d) any other authority which is analogous to the entities specified in sub-paragraph (a), (b) or (c) of this definition.

“**Governmental Intervention**” means that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs as a result of action taken or an announcement made by a Governmental Authority pursuant to, or by means of, a restructuring and resolution law or regulation (or any other similar law or regulation), in each case, applicable to the Reference Entity in a form which is binding, irrespective of whether such event is expressly provided for under the terms of such Obligation:

- (a) any event which would affect creditors’ rights so as to cause:

- (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
  - (ii) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
  - (iii) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest, or (B) the payment of principal or premium; or
  - (iv) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation;
- (b) an expropriation, transfer or other event which mandatorily changes the beneficial holder of the Obligation;
  - (c) a mandatory cancellation, conversion or exchange; or
  - (d) any event which has an analogous effect to any of the events specified in sub-paragraphs (a)(i) to (iii) of this definition.

For purposes of sub-paragraph (a) of this definition, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Guarantee.

**“Grace Period”** means:

- (a) subject to sub-paragraphs (b) and (c) of this definition, the applicable grace period with respect to payments under and in accordance with the terms of such Obligation in effect as of the date as of which such Obligation is issued or incurred;
- (b) if “Grace Period Extension” is specified as applicable in the relevant Issue Terms, a Potential Failure to Pay has occurred on or prior to the Scheduled Maturity Date and the applicable grace period cannot, by its terms, expire on or prior to the Scheduled Maturity Date, the Grace Period shall be deemed to be the lesser of such grace period and the period specified as such in the relevant Issue Terms or, if no period is specified, 30 calendar days; and
- (c) if, as of the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three Grace Period Business Days shall be deemed to apply to such Obligation; provided that, unless “Grace Period Extension” is specified as being applicable in the relevant Issue Terms, such deemed Grace Period shall expire no later than the Scheduled Maturity Date.

**“Grace Period Business Day”** means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in the relevant Obligation or, if a place or places are not so specified, (a) if the Obligation Currency is the euro, a TARGET Settlement Day, or (b) otherwise, a day on which commercial banks and foreign exchange markets are generally open to settle payments in the principal financial city in the jurisdiction of the Obligation Currency.

**“Grace Period Extension Date”** means, if (a) “Grace Period Extension” is specified as being applicable in the relevant Issue Terms and (b) a Potential Failure to Pay occurs on or prior to the Scheduled Maturity Date, as the case may be, the date that is five Business Days following the day falling after the number of days in the Grace Period after the date of such Potential Failure to Pay. If “Grace Period Extension” is not specified as being applicable in the relevant Issue Terms, Grace Period Extension shall not apply.

**“Guarantee”** means a Relevant Guarantee or a guarantee which is the Reference Obligation.

**“Hedge Positions”** means any purchase, sale, entry into or maintenance of one or more (i) positions or contracts in securities, commodities, options, futures, derivatives or foreign exchange, (ii) stock loan transactions or (iii) other instruments or arrangements (howsoever described) by a party in order to hedge, individually or on a portfolio basis, the Notes.

**“Hedging Disruption”** means that the Issuer, any Hedging Party and/or any of their respective Affiliates is unable, after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity or other price risk of the Issuer issuing and performing its obligations with respect to the Notes or (ii) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

**“Hedging Party”** has the meaning given to it in the Base General Conditions.

**“Hedging Securities”** means, in relation to the Notes, the Reference Items or security or commodity that the Issuer, any Hedging Party and/or their respective Affiliates deems necessary to hedge the equity or other price risk of the Issuer issuing and performing its obligations with respect to the Notes.

**“Illegality”** means that the Issuer shall have determined, acting in a commercially reasonable manner, that the performance of any of the Issuer’s obligations with respect to the Notes and/or that any arrangements made to hedge the Issuer’s obligations with respect to the Notes and/or under any hedging arrangements shall have or will become or would be (as the case may be), in whole or in part, unlawful, illegal or otherwise contrary to any present or future law, rule, regulation, judgment, order, directive, policy or request of any governmental, administrative, legislative or judicial authority or power (but, if not having the force of law, only if compliance with it is in accordance with the general practice of persons to whom it is intended to apply), or any change in the interpretation thereof.

**“Increased Cost of Hedging”** means that the Issuer, any Hedging Party and/or any of their respective Affiliates would incur a materially increased (as compared with circumstances existing on the Trade 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 equity or other price risk of the Issuer issuing and performing its obligations with respect to the Notes 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 and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

**“Increased Cost of Stock Borrow”** means, in relation to the Notes, that the Issuer, any Hedging Party and/or any of their respective Affiliates would incur a rate to borrow any Reference Item or any security or commodity that it deems reasonable to hedge the equity or other price risk of the Issuer issuing or performing its obligation with respect to the Notes that is greater than the Initial Stock Loan Rate.

**“Initial Stock Loan Rate”** means, in relation to the Notes, in respect of a Reference Item or any security or commodity that the Issuer, any Hedging Party and/or any of their respective Affiliates deems reasonable to hedge the equity or other price risk of the Issuer issuing or performing its obligation with respect to the Notes, the rate which the Issuer, any Hedging Party and/or any of their respective Affiliates would have incurred to borrow such Reference Item or such other securities or commodities in an amount equal to the Hedging Securities (where applicable), as the case may be, as of the Trade Date, as determined by it.

**“ISDA”** means the International Swaps and Derivatives Association Inc., (or any successor organisation thereto).

**“Latest Maturity Restructured Bond or Loan”** has the meaning given to that term in the definition of “Restructuring Maturity Limitation Date”.

“**Latest Permissible Physical Settlement Date**” means, (a) in respect of the provisions of Credit Linked Asset Condition 2.6.5 (*Partial Cash Redemption due to Impossibility or Illegality*), the date that is 30 calendar days after the Physical Redemption Date, (b) in respect of the provisions of Credit Linked Asset Conditions 2.6.6 (*Partial Cash Redemption of Consent Required Loans*), 2.6.7 (*Partial Cash Redemption of Assignable Loans*) and 2.6.8 (*Partial Cash Redemption of Participations*), the date that is 15 Business Days after the Physical Redemption Date, and (c) in respect of the provisions of Credit Linked Asset Conditions 2.6.2 (*Physical Redemption Assets*) and 2.9.2 (*Continuing Redemption Failure Event*), the 90th calendar day following the date of the Notice of Physical Settlement or, if relevant, the last NOPS Amendment Notice.

“**Limitation Date**” means the first of 20 March, 20 June, 20 September or 20 December in any year to occur on or immediately following the date that is one of the following numbers of years after the Restructuring Date: 2.5 years (the “**2.5-year Limitation Date**”), 5 years, 7.5 years, 10 years (the “**10-year Limitation Date**”), 12.5 years, 15 years or 20 years, as applicable. Limitation Dates shall not be subject to adjustment in accordance with any Business Day Convention.

“**Linear Basket Notes**” means Notes which are specified as such in the relevant Issue Terms, in respect of which the Bank purchases credit protection from Noteholders in respect of two or more Reference Entities and pursuant to which, on each occasion on which a Credit Event and a Relevant Event Determination Date occurs with respect to any of the Reference Entities, the Notes will be redeemed in part in an amount determined by reference to the Reference Entity Notional Amount relating to such Reference Entity in accordance with the relevant Credit Event Redemption Method.

“**Loan Alternative Procedure Start Date**” has the meaning given to that term in Credit Linked Asset Condition 2.6.9 (*Alternative Procedures Relating to Loans not Delivered*).

“**Loss of Stock Borrow**” means that the Issuer, any Hedging Party and/or any of their respective Affiliate(s) is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) any Reference Item or any security or commodity that it deems reasonable to hedge the equity or other price risk of the Issuer issuing or performing its obligations with respect to the Notes in an amount equal to the Hedging Securities at a rate equal to or less than the Maximum Stock Loan Rate.

“**Market Value**” means, with respect to the Reference Obligation on a Valuation Date: (a) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the highest and lowest values (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (b) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (c) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations; (d) if fewer than two Full Quotations are obtained and a Weighted Average Quotation is obtained, such Weighted Average Quotation; (e) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained, subject to sub-paragraph (b) of the definition of “Quotation”, an amount that the Calculation Agent shall determine on the next Business Day on which two or more Full Quotations or a Weighted Average Quotation is obtained; and (f) if two or more Full Quotations or a Weighted Average Quotation are not obtained within the 10 Business Day period set forth in sub-paragraph (b) of the definition of “Quotation” the Market Value shall be determined as provided in such definition.

“**Maturity Date Extension**” means an extension determined in accordance with Credit Linked Asset Condition 2.3 (*Maturity Date Extension*).

“**Merger Event**” means that at any time during the period from (and including) the Trade Date to (but excluding) the Extended Maturity Date the Bank or a Reference Entity consolidates or amalgamates



with, or merges into, or transfers all or substantially all of its assets to, a Reference Entity or the Bank, as applicable, or the Bank and a Reference Entity become Affiliates.

“**M(M)R Restructuring**” means a Restructuring Credit Event in respect of which either “Mod R” or “Mod Mod R” is specified as applicable in the relevant Issue Terms.

“**Minimum Quotation Amount**” means the amount specified as such in the relevant Issue Terms (or its equivalent in the relevant Obligation Currency) or, if no amount is so specified, the lower of (a) USD 1,000,000 (or its equivalent in the relevant Obligation Currency) and (b) the Quotation Amount.

“**Modified Eligible Transferee**” means any bank, financial institution or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, notes and other financial assets.

“**Modified Restructuring Maturity Limitation Date**” means, with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Maturity Date.

Subject to the foregoing, if the Scheduled Maturity Date is later than the 10-year Limitation Date, the Modified Restructuring Maturity Limitation Date will be the Scheduled Maturity Date.

“**Movement Option**” means an M(M)R Restructuring to which a No Auction Announcement Date has occurred pursuant to sub-paragraph (b) or (c)(ii) of the definition of “No Auction Announcement Date” the option of the Bank to apply the Parallel Auction Settlement Terms, if any, so that the Credit Linked Notes may be redeemed by way of Auction Redemption for the purposes of which the Permissible Deliverable Obligations are more limited than the Deliverable Obligations that the Bank could specify in any Notice of Physical Settlement or any NOPS Amendment Notice (provided that if more than one such set of Parallel Auction Settlement Terms are published, the Parallel Auction Settlement Terms specifying the greatest number of such Permissible Deliverable Obligations shall apply). If the Bank does not deliver an effective Notice to Exercise Movement Option to the Fiscal Agent on or prior to the Movement Option Cut-off Date, the Credit Linked Notes will be redeemed in accordance with the Fallback Redemption Method.

“**Movement Option Cut-off Date**” the date that is one Relevant City Business Day following the Exercise Cut-off Date, or such other date as the relevant Credit Derivatives Determinations Committee has Resolved.

“**Multiple Holder Obligation**” has the meaning given to it in Credit Linked Asset Condition 2.15.4 (*Multiple Holder Obligation*).

“**Next Currency Fixing Time**” means 4:00 p.m. (London time) on a day on which commercial banks and foreign exchange markets are generally open to settle payments and which immediately follows the date on which the Notice of Physical Settlement or relevant NOPS Amendment Notice, as applicable, is effective.

“**No Auction Announcement Date**” means, with respect to a Credit Event, the date as determined by the Calculation Agent on which the DC Secretary first publicly announces that (a) no Transaction Auction Settlement Terms and, if applicable, no Parallel Auction Settlement Terms will be published, (b) following the occurrence of an M(M)R Restructuring no Transaction Auction Settlement Terms will be published, but Parallel Auction Settlement Terms will be published or (c) the relevant Credit Derivatives Determinations Committee has Resolved that no Auction will be held following a prior public announcement by the DC Secretary to the contrary, in circumstances where either (i) no Parallel Auction will be held, or (ii) one or more Parallel Auctions will be held. For the avoidance of doubt, a No Auction Announcement Date will not occur solely by reason of the Credit Linked Notes not being covered by any Credit Derivatives Auction Settlement Terms.

**“Non-Conforming Reference Obligation”** means a Reference Obligation which is not a Conforming Reference Obligation.

**“Non-Conforming Substitute Reference Obligation”** means an obligation which would be a Deliverable Obligation determined in accordance with sub-paragraph (a) of the definition of “Deliverable Obligation” on the Substitution Date but for one or more of the same reasons which resulted in the Reference Obligation constituting a Non-Conforming Reference Obligation on the date it was issued or incurred and/or immediately prior to the Substitution Event Date (as applicable).

**“Non-Financial Instrument”** means any Asset which is not of the type typically traded in, or suitable for being traded in, financial markets.

**“Non-Standard Event Determination Date”** means, with respect to a Credit Event and a Series to which “Non-Standard Event Determination Date” applies:

- (a) subject to sub-paragraph (b) of this definition, the Notice Delivery Date, if the Notice Delivery Date occurs during either the Notice Delivery Period or the Post Dismissal Additional Period, provided that neither (i) a DC Credit Event Announcement has occurred nor (ii) a DC No Credit Event Announcement has occurred, in each case, with respect to the Credit Event specified in the Credit Event Notice; or
- (b) notwithstanding sub-paragraph (a) of this definition, if a DC Credit Event Announcement has occurred and the Credit Event Resolution Request Date has occurred on or prior to the last day of the Notice Delivery Period (including prior to the Trade Date) either:
  - (i) the Credit Event Resolution Request Date, if either:
    - (A) (I) “Event Determination Date Version B” is not specified as applicable and “Auction Settlement” is not specified as the applicable Credit Event Redemption Method in the relevant Issue Terms; (II) the relevant Credit Event is not an M(M)R Restructuring; and (III) the Trade Date occurs on or prior to the date of the DC Credit Event Announcement; or
    - (B) either:
      - (I)
        - (1) “Event Determination Date Version B” is specified as applicable and “Auction Settlement” is specified as the applicable Credit Event Redemption Method in the relevant Issue Terms; or
        - (2) “Event Determination Date Version B” is not specified as applicable in the relevant Issue Terms and the relevant Credit Event is an M(M)R Restructuring; and
      - (II) a Credit Event Notice is delivered by the Bank to the Fiscal Agent and is effective on or prior to the Non-Standard Exercise Cut-off Date, or
  - (ii) the first date on which a Credit Event Notice is delivered by the Bank to the Fiscal Agent and is effective during either the Notice Delivery Period or the period from and including the date of the DC Credit Event Announcement to and including the date that is 14 calendar days thereafter (provided, in each case, that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)), if either:
    - (A)

- (I) “Event Determination Date Version B” is not specified as applicable and “Auction Settlement” is not specified as the Credit Event Redemption Method in the relevant Issue Terms;
  - (II) the relevant Credit Event is not an M(M)R Restructuring; and
  - (III) the Trade Date occurs and following the date of the related DC Credit Event Announcement on or prior to a DC Announcement Coverage Cut-off Date; or
- (B)
- (I) “Event Determination Date Version B” is specified as applicable and the Trade Date occurs and
  - (II) either:
    - (1) “Auction Settlement” is not specified as the Credit Event Redemption Method in the relevant Issue Terms; or
    - (2) “Auction Settlement” is specified as the Credit Event Redemption Method in the relevant Issue Terms and a Credit Event Notice is delivered by the Bank to the Fiscal Agent and is effective on a date that is later than the relevant Non-Standard Exercise Cut-off Date.

provided that:

- (1) no Redemption Date in respect of the relevant Reference Entity has occurred on or prior to the date on which the Applicable DC Credit Event Meeting Announcement occurs;
- (2) if any Valuation Date or Delivery Date in respect of the relevant Reference Entity has occurred on or prior to the date on which the Applicable DC Credit Event Meeting Announcement occurs, a Non-Standard Event Determination Date shall be deemed to have occurred only with respect to the portion of the Aggregate Nominal Amount of the Credit Linked Notes or, if the Notes are Linear Basket Notes, the Reference Entity Notional Amount of the Reference Entity to which the Event Determination Date relates, if any, with respect to which no Valuation Date or Delivery Date, as applicable, has occurred; and
- (3) no Credit Event Notice specifying an M(M)R Restructuring as the only Credit Event has previously been delivered by the Bank to the Fiscal Agent, (aa) unless the M(M)R Restructuring specified in such Credit Event Notice is also the subject of the Applicable DC Credit Event Question resulting in the occurrence of the Credit Event Resolution Request Date, (bb) unless, and to the extent that, the Exercise Amount specified in any such Credit Event Notice was less than the Aggregate Nominal Amount of the Credit Linked Notes or, if the Notes are Linear Basket Notes, the Reference Entity Notional Amount of the affected Reference Entity or (cc) unless a credit derivatives transaction with the same tenor and deliverable obligation provisions as the Credit Linked Notes would be an “Auction Covered Transaction” for the purpose of the relevant Credit Derivatives Auction Settlement Terms and the

Deliverable Obligations set out on the Final List are identical to the Permissible Deliverable Obligations for such Series.

“**Non-Standard Exercise Cut-off Date**” means, with respect to a Credit Event and a Series to which sub-paragraph (a) of the definition of “Event Determination Date” does not apply:

- (a) if such Credit Event is not an M(M)R Restructuring, either:
  - (i) the Relevant City Business Day prior to the Auction Final Price Determination Date, if any;
  - (ii) the Relevant City Business Day prior to the Auction Cancellation Date, if any; or
  - (iii) the date that is 14 calendar days following the No Auction Announcement Date, if any, as applicable; or
- (b) if such Credit Event is an M(M)R Restructuring and:
  - (i) the DC Secretary publishes a Final List applicable to the Applicable Transaction Auction Settlement Terms and/or Parallel Auction Settlement Terms, the date that is seven Relevant City Business Days following the date on which such Final List is published; or
  - (ii) otherwise, the date that is 14 calendar days following the relevant No Auction Announcement Date.

“**Non-Standard Reference Obligation**” means each Original Non-Standard Reference Obligation or if a Substitute Reference Obligation has been determined in respect of any such Original Non-Standard Reference Obligation, the Substitute Reference Obligation.

“**Non-Transferable Instrument**” means any Asset which is not capable of being transferred to institutional investors, excluding due to market conditions.

“**NOPS Amendment Notice**” has the meaning given to it in the definition of “Notice of Physical Settlement”.

“**Notes Extension Date**” means the later to occur of (a) the last applicable day specified in the definition of “Notice Delivery Period” in respect of each Reference Entity with respect to which Maturity Date Extension applies pursuant to Credit Linked Asset Condition 2.3 (*Maturity Date Extension*) and (b) 14 calendar days after the DC Credit Announcement or (c) the last day of the Post Dismissal Additional Period.

“**Notice Delivery Date**” means the first date on which both an effective Credit Event Notice and, unless “Notice of Publicly Available Information” is specified as not applicable in relevant Issue Terms, an effective Notice of Publicly Available Information, has been delivered by the Bank to the Fiscal Agent.

“**Notice Delivery Period**” means the period from and including the Trade Date to and including the date that is 14 calendar days after the Extension Date.

“**Notice of Physical Settlement**” means a notice from the Bank or the Calculation Agent to the Fiscal Agent that (a) confirms that the Bank intends to redeem the Credit Linked Notes (unless the relevant Issue Terms provide for multiple Deliveries) and requires performance in accordance with the provisions of Credit Linked Asset Condition 2.6 (*Physical Redemption Terms*), (b) specifies (i) the proposed Delivery Date, (ii) if applicable, the Credit Event Unwind Costs and (iii) if applicable, the Delivery Expenses, (c) contains a detailed description of each Deliverable Obligation that the Bank will, subject to Credit Linked Asset Condition 2.6 (*Physical Redemption Terms*), Deliver to Noteholders (in aggregate) and, if available and applicable, the CUSIP or ISIN number (or, if such

identifying number is not available, the rate and tenor) of each such Deliverable Obligation and (d) specifies the Outstanding Principal Balance or Due and Payable Amount, as applicable, or the equivalent amount in the Settlement Currency (in each case, the “**Outstanding Amount**”) and, if different, the face amount, of each such Deliverable Obligation and the aggregate Outstanding Amount of all Deliverable Obligations specified in the Notice of Physical Settlement that the Bank intends to Deliver to the Noteholders (the “**Aggregate Outstanding Amount**”). The Bank may, from time to time, give notice to the Fiscal Agent in the manner specified above (each such notification, a “**NOPS Amendment Notice**”) that the Bank is replacing, in whole or in part, one or more Deliverable Obligations specified in the Notice of Physical Settlement or a prior NOPS Amendment Notice, as applicable, (to the extent the relevant Deliverable Obligation has not been Delivered as of the date such NOPS Amendment Notice is effective). A NOPS Amendment Notice shall contain a revised detailed description of each replacement Deliverable Obligation that the Bank will Deliver to Noteholders (each, a “**Replacement Deliverable Obligation**”) and shall also specify the Outstanding Amount of each Deliverable Obligation identified in the Notice of Physical Settlement or a prior NOPS Amendment Notice, as applicable, that is being replaced (with respect to each such Deliverable Obligation, the “**Replaced Deliverable Obligation Outstanding Amount**”). The Outstanding Amount of each Replacement Deliverable Obligation identified in a NOPS Amendment Notice shall be determined by applying the Revised Currency Rate to the relevant Replaced Deliverable Obligation Outstanding Amount. The Outstanding Amount of the Replacement Deliverable Obligations specified in any NOPS Amendment Notice in aggregate with the Outstanding Amount of the Deliverable Obligations specified in the Notice of Physical Settlement or any earlier NOPS Amendment Notice which, in each case, are not being replaced must not be greater than the Aggregate Outstanding Amount. Each such NOPS Amendment Notice must be effective on or prior to the Physical Redemption Date (determined without reference to any change resulting from such NOPS Amendment Notice). Notwithstanding the foregoing, (x) the Bank or the Calculation Agent may correct any errors or inconsistencies in the detailed description of each Deliverable Obligation contained in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, by notice to the Fiscal Agent prior to the relevant Delivery Date and (y) if Asset Package Delivery is applicable, the Bank shall on or prior to the Delivery Date), notify the Fiscal Agent of the description of the Asset Package, if any, that it intends to Deliver to the Noteholders in lieu of the Prior Deliverable Obligation or Package Observable Bond, if any, specified in the Notice of Physical Settlement or NOPS Amendment Notice, as applicable; it being understood in each case that such notice shall not constitute a NOPS Amendment Notice.

“**Notice of Publicly Available Information**” means an irrevocable notice from the Bank or the Calculation Agent to the Fiscal Agent that cites Publicly Available Information confirming the occurrence of the Credit Event or Potential Repudiation/Moratorium, as applicable, described in the Credit Event Notice or Repudiation/Moratorium Extension Notice. The notice given must contain a copy, or a description in reasonable detail, of the relevant Publicly Available Information. If “Notice of Publicly Available Information” is specified as being applicable in the relevant Issue Terms and the Credit Event Notice or Repudiation/Moratorium Extension Notice contains Publicly Available Information, such Credit Event Notice or Repudiation/Moratorium Extension Notice will also be deemed to be a Notice of Publicly Available Information.

“**Notice to Exercise Movement Option**” with respect to a Series where (a) an M(M)R Restructuring is applicable and (b) the Fallback Redemption Method would otherwise be applicable pursuant to Credit Linked Asset Condition 2.5.2 (*Fallback Redemption*), a notice from the Bank to the Fiscal Agent that (i) specifies the Parallel Auction Settlement Terms which shall be applicable in accordance with the Bank’s exercise of the Movement Option and (ii) is dated on or prior to the Movement Option Cut-off Date.

**“Obligation”** means (a) any obligation of the Reference Entity (either directly or as provider of a Relevant Guarantee) determined pursuant to the method described in “Method for Determining Obligations” below; and (b) the Reference Obligation, in each case, unless it is an Excluded Obligation.

***Method for Determining Obligations:***

For the purposes of sub-paragraph (a) of the definition of “Obligation” above, an Obligation is each obligation of the Reference Entity described by the Obligation Category specified in the relevant Issue Terms and having each of the Obligation Characteristics, if any, specified in the relevant Issue Terms, in each case, immediately prior, the Credit Event which is the subject of either the Credit Event Notice or the Applicable DC Credit Event Question resulting in the occurrence of the Credit Event Resolution Request Date, as applicable. The following terms shall have the following meanings:

- (a) **“Obligation Category”** means Payment, Borrowed Money, Reference Obligation Only, Bond, Loan, or Bond or Loan, only one of which shall be specified in the relevant Issue Terms, and:
- (i) **“Bond”** means any obligation of a type included in the “Borrowed Money” Obligation Category that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certificated debt notes or other debt notes and shall not include any other type of Borrowed Money;
  - (ii) **“Bond or Loan”** means any obligation that is either a Bond or a Loan;
  - (iii) **“Borrowed Money”** means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit);
  - (iv) **“Loan”** means any obligation of a type included in the “Borrowed Money” Obligation Category that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement and shall not include any other type of Borrowed Money;
  - (v) **“Payment”** means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money; and
  - (vi) **“Reference Obligation Only”** means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligation Only.
- (b) **“Obligation Characteristics”** means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance, and:
- (i)
    - (A) **“Not Subordinated”** means an obligation that is not Subordinated to (I) the Reference Obligation or (II) the “Prior Reference Obligation “if applicable;
    - (B) **“Subordination”** means, with respect to an obligation (the **“Second Obligation”**) and another obligation of the Reference Entity to which such obligation is being compared (the **“First Obligation”**), a contractual, trust or similar arrangement providing that (I) upon the liquidation, dissolution, reorganisation or winding up of the Reference Entity, claims of the holders of the First Obligation are required to be satisfied prior to the claims of the holders of the Second Obligation or (II) the holders of the Second Obligation will not be

entitled to receive or retain principal payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the First Obligation. “**Subordinated**” will be construed accordingly. For the purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, (1) the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement or security arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the Reference Entity is a Sovereign and (2) in the case of the Reference Obligation or the Prior Reference Obligation, as applicable, the ranking in priority of payment shall be determined as of the date as of which it was issued or incurred (or in circumstances where the Reference Obligation or a Prior Reference Obligation is the Standard Reference Obligation and “Standard Reference Obligation” is applicable, then the priority of payment of the Reference Obligation or the Prior Reference Obligation, as applicable, shall be determined as of the date of selection) and, in each case, shall not reflect any change to such ranking in priority of payment after such date; and

- (C) “**Prior Reference Obligation**” means, in circumstances where there is no Reference Obligation applicable to a Series, (I) the Reference Obligation most recently applicable thereto, if any, and otherwise, (II) the obligation specified in the relevant Issue Terms as the Reference Obligation, if any, if such Reference Obligation was redeemed on or prior to the Trade Date and otherwise, (III) any unsubordinated Borrowed Money obligation of the Reference Entity;
- (ii) “**Specified Currency**” means an obligation that is payable in the currency or currencies specified as such in the relevant Issue Terms (or, if “Specified Currency” is specified in the relevant Issue Terms and no currency is so specified, any Standard Specified Currency), provided that if the euro is a Specified Currency, “Specified Currency” shall also include an obligation that was previously payable in the euro, regardless of any redenomination thereafter if such redenomination occurred as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority;
- (iii) “**Not Sovereign Lender**” means any obligation that is not primarily owed to (A) a Sovereign or (B) any entity or organisation established by treaty or other arrangement between two or more Sovereigns including, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development, which shall include, without limitation, obligations generally referred to as “Paris Club debt”;
- (iv) “**Not Domestic Currency**” means any obligation that is payable in any currency other than the applicable Domestic Currency, provided that a Standard Specified Currency shall not constitute a Domestic Currency;
- (v) “**Not Domestic Law**” means any obligation that is not governed by the applicable Domestic Law, provided that the laws of England and the laws of the State of New York shall not constitute Domestic Law;
- (vi) “**Listed**” means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange; and

- (vii) “**Not Domestic Issuance**” means any obligation other than an obligation that was issued (or reissued, as the case may be) or intended to be offered for sale primarily in the domestic market of the relevant Reference Entity. Any obligation that is registered or, as a result of some other action having been taken for such purpose, is qualified for sale outside the domestic market of the relevant Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Reference Entity) shall be deemed not to be issued (or reissued as the case may be) or intended to be offered for sale primarily in the domestic market of the Reference Entity.

“**Obligation Acceleration**” means one or more Obligations in an aggregate amount of not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of the Reference Entity under one or more Obligations.

“**Obligation Currency**” means the currency or currencies in which an Obligation is denominated.

“**Obligation Default**” means one or more Obligations in an aggregate amount of not less than the Default Requirement have become capable of being declared due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of the Reference Entity under one or more Obligations.

“**Original Non-Standard Reference Obligation**” means each obligation of the Reference Entity (either directly or as provider of a guarantee) which is specified as a Reference Obligation in the relevant Issue Terms (if any is so specified).

“**Outstanding Amount**” has the meaning given to that term in the definition of “Notice of Physical Settlement”.

The “**Outstanding Principal Balance**” of an obligation will be calculated as follows:

- (a) first, by determining, in respect of the obligation, the amount of the Reference Entity’s principal payment obligations and, where applicable in accordance with the definition of “Accrued Interest”, the Reference Entity’s accrued but unpaid interest payment obligations (which, in the case of a Guarantee will be the lower of (i) the Outstanding Principal Balance (including accrued but unpaid interest, where applicable) of the Underlying Obligation (determined as if references to the Reference Entity were references to the Underlying Obligor) and (ii) the amount of the Fixed Cap, if any);
- (b) second, by subtracting all or any portion of such amount which, pursuant to the terms of the obligation, (i) is subject to any Prohibited Action, or (ii) may otherwise be reduced as a result of the effluxion of time or the occurrence or non-occurrence of an event or circumstance (other than by way of (A) payment or (B) a Permitted Contingency) (the amount determined in subparagraph (a) of this definition less any amounts subtracted in accordance with this subparagraph (b), the “**Non-Contingent Amount**”); and
- (c) third, by determining the Quantum of the Claim, which shall then constitute the Outstanding Principal Balance,

in each case, determined:

- (i) unless otherwise specified, in accordance with the terms of the obligation in effect on the Delivery Date, or the Valuation Date, as applicable; and



- (ii) with respect to the Quantum of the Claim only, in accordance with any applicable laws (insofar as such laws reduce or discount the size of the claim to reflect the original issue price or accrued value of the obligation).

For the purpose of this definition of “Outstanding Principal Balance”, “**Quantum of the Claim**” means the lowest amount of the claim which could be validly asserted against the Reference Entity in respect of the Non-Contingent Amount if the obligation had become redeemable, been accelerated, terminated or had otherwise become due and payable at the time of the relevant determination, provided that the Quantum of the Claim cannot exceed the Non-Contingent Amount.

“**Package Observable Bond**” means, in respect of a Reference Entity which is a Sovereign, any obligation (a) which is identified as such and published by ISDA on its website at [www.isda.org](http://www.isda.org) from time to time (or any successor website thereto) or by a third party designated by ISDA on its website from time to time and (b) which fell within the definition of Deliverable Obligation set out in subparagraph (a) or (b) of the definition of “Deliverable Obligation”, in each case, immediately preceding the date on which the relevant Asset Package Credit Event was legally effective.

“**Parallel Auction**” means the “Auction” which is the subject of the relevant Parallel Auction Settlement Terms.

“**Parallel Auction Cancellation Date**” means the “Auction Cancellation Date” in respect of the relevant Parallel Auction Settlement Terms.

“**Parallel Auction Settlement Terms**” means, following the occurrence of an M(M)R Restructuring”, any Credit Derivatives Auction Settlement Terms published by ISDA with respect to such an M(M)R Restructuring if the Calculation Agent determines in its discretion, acting in a commercially reasonable manner, that the relevant Deliverable Obligation Terms are substantially the same as the Deliverable Obligation Provisions applicable to the relevant Credit Linked Notes and for which a credit derivatives transaction with the same tenor as Series of the Credit Linked Notes would not be an “Auction Covered Transaction” for the purpose of the relevant Credit Derivatives Auction Settlement Terms.

“**Partial Nominal Amount**” has the meaning given to that term in Credit Linked Asset Condition 2.14.2(b) (*Multiple Successors*).

“**Payment Requirement**” means the amount specified as such in the relevant Issue Terms or its equivalent in the relevant Obligation Currency (or, if no such amount is specified, USD 1,000,000 or its equivalent in the relevant Obligation Currency) in either case as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as appropriate.

“**Permissible Deliverable Obligation**” has the meaning set out in the relevant Credit Derivatives Auction Settlement Terms, being either all or the portion of the Deliverable Obligations included on the Final List pursuant to the Deliverable Obligation Terms that are applicable to that Auction.

“**Permitted Contingency**” means, with respect to an obligation, any reduction to the Reference Entity’s payment obligations:

- (a) as a result of the application of:
- (i) any provisions allowing a transfer, pursuant to which another party may assume all of the payment obligations of the Reference Entity;
  - (ii) provisions implementing the Subordination of the obligation;
  - (iii) provisions allowing for a Permitted Transfer in the case of a Qualifying Guarantee (or provisions allowing for the release of the Reference Entity from its payment obligations in the case of any other Guarantee);

- (iv) any Solvency Capital Provisions, if “Subordinated European Insurance Terms” is specified as applicable in the relevant Issue Terms; or
  - (v) provisions which permit the Reference Entity’s obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention, if “Financial Reference Entity Terms” is specified as applicable in the relevant Issue Terms; or
- (b) which is within the control of the holders of the obligation or a third party acting on their behalf (such as an agent or trustee) in exercising their rights under or in respect of such obligation.

“**Permitted Transfer**” means, with respect to a Qualifying Guarantee, a transfer to and the assumption by any single transferee of such Qualifying Guarantee (including by way of cancellation and execution of a new guarantee) on the same or substantially the same terms, in circumstances where there is also a transfer of all (or substantially all) of the assets of the Reference Entity to the same single transferee.

“**Physical Redemption Assets**” means, in respect of Credit Linked Notes for which pursuant to Credit Linked Asset Condition 2.6 (*Physical Redemption Terms*) the Physical Redemption Terms are applicable, subject to Credit Linked Asset Condition 2.10 (*Effect of DC Announcements*), such Deliverable Obligations as may be selected by the Bank with: (a) an Outstanding Principal Balance (as determined by the Calculation Agent in its discretion, acting in a commercially reasonable manner, on the date of the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable), in respect of Deliverable Obligations that are Borrowed Money Obligations or (b) a Due and Payable Amount, in respect of Deliverable Obligations that are not Borrowed Money Obligations (or in either case, the equivalent Currency Amount thereof), with an Outstanding Principal Balance equal to (i) the Applicable Proportion of the Aggregate Nominal Amount of the Credit Linked Notes (as determined by the Calculation Agent in its discretion, acting in a commercially reasonable manner, on the date of the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable) less (or plus, depending on whether the Credit Event Unwind Costs are payable to the Noteholder or by the Noteholder), (ii) an Outstanding Principal Balance (as determined by the Calculation Agent in its discretion, acting in a commercially reasonable manner, on the date of the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable) or Due and Payable Amount, as the case may be, of such Deliverable Obligations with a market value as determined by the Calculation Agent equal to the sum of any Credit Event Unwind Costs and Delivery Expenses. If the amount of the Physical Redemption Assets is less than zero, no Deliverable Obligations will be required to be Delivered and the amount of the Physical Redemption Assets will be deemed to be zero. If an Asset Package Credit Event has occurred and a Prior Deliverable Obligation or Package Observable Bond which would otherwise have been included in the Physical Redemption Assets has been converted into an Asset Package, then references in this definition of “Physical Redemption Assets” to “Deliverable Obligations” shall be references to the resulting Asset Package and the Asset Package shall be treated as having the same currency and Outstanding Principal Balance as the relevant Prior Deliverable Obligation or Package Observable Bond. The Outstanding Principal Balance of the Deliverable Obligations being Delivered will exclude accrued but unpaid interest, unless “Include Accrued Interest” is specified in the relevant Issue Terms, in which case, the Outstanding Principal Balance of the Deliverable Obligations being Delivered will include accrued but unpaid interest (as the Calculation Agent shall determine). In respect of a Noteholder, the “Physical Redemption Assets” means such Noteholder’s *pro rata* share of the Physical Redemption Assets as described above determined by the Calculation Agent and rounded down in accordance with Credit Linked Asset Condition 2.6.3 (*Portfolio Shortfall Proceeds*).

“**Physical Redemption Date**” means the last day of the longest Physical Settlement Period following the date specified in the Notice Physical Settlement or NOPS Amendment Notice. If all Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as

applicable are Delivered on or before that Physical Redemption Date, the date that the Bank completes Delivery of such Deliverable Obligations shall be the Maturity Date.

“**Physical Settlement Matrix**” means the “Credit Derivatives Physical Settlement Matrix” as most recently amended or supplemented as at the Issue Date (unless otherwise specified in the relevant Issue Terms) and as published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website). The Physical Settlement Matrix may be applicable to any Series of Notes (notwithstanding that the Credit Event Redemption Method for such Notes may not be “Physical Redemption”) where “Physical Settlement Matrix Standard Terms” are specified as applicable in the relevant Issue Terms and one or more Transaction Type(s) are specified as applying to the Reference Entity(ies) of such Series of Notes.

“**Physical Settlement Period**” means, subject to the provisions of Credit Linked Asset Condition 2.10 (*Effect of DC Announcements*), the number of Business Days specified as such in the relevant Issue Terms or, if a number of Business Days is not so specified, then, with respect to a Deliverable Obligation specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, the longest number of Business Days for settlement in accordance with then current market practice of such Deliverable Obligation, as the Calculation Agent shall determine; provided that if the Bank has notified the Fiscal Agent that it intends to Deliver an Asset Package in lieu of a Prior Deliverable Obligation or a Package Observable Bond, the Physical Settlement Period shall be 30 Business Days.

“**Portfolio Delivery Shortfall Proceeds**” has the meaning given in Credit Linked Asset Condition 2.6.3 (*Portfolio Shortfall Proceeds*).

“**Post Dismissal Additional Period**” means the period from and including the date of the Applicable DC Credit Event Question Dismissal to and including the date that is 14 calendar days thereafter (provided that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)).

“**Potential Failure to Pay**” means the failure by the Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations in accordance with the terms of such obligations at the time of such failure, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations.

“**Potential Repudiation/Moratorium**” means the occurrence of an event described in sub-paragraph (a) of the definition of “Repudiation/Moratorium”.

“**Principal Protected Amount**” means the amount specified as such in the relevant Issue Terms, which may be described as a percentage of the Specified Denomination of each Note, provided that if no amount is so specified the Principal Protected Amount will be the Final Redemption Amount.

“**Principal Protected Notes**” means Notes to which “Principal Protection” is specified to apply in the relevant Issue Terms and which will, following the occurrence of a Credit Event and a Relevant Event Determination Date, be redeemed at their Principal Protected Amount.

“**Prior Deliverable Obligation**” means:

- (a) if a Governmental Intervention has occurred (whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the Applicable DC Credit Event Announcement), any obligation of the Reference Entity which (i) existed immediately prior to such Governmental Intervention, (ii) was the subject of such Governmental Intervention and (iii) fell within the definition of “Deliverable Obligation” set out in sub-paragraph (a) or (b) of the definition of “Deliverable Obligation”, in each case, immediately preceding the date on which such Governmental Intervention was legally effective; or

- (b) if a Restructuring which does not constitute a Governmental Intervention has occurred in respect of the Reference Obligation of the relevant Reference Entity (whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the Applicable DC Credit Event Announcement), such Reference Obligation, if any.

“**Private-side Loan**” means a Loan in respect of which the documentation governing its terms is not publicly available or capable of being made public without violating a law, agreement, understanding or other restriction regarding the confidentiality of such information.

“**Prohibited Action**” means any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in sub-paragraphs (a) to (d) of the definition of “Credit Event” or right of set-off by or of the Reference Entity or any applicable Underlying Obligor.

“**Public Source**” means each source of Publicly Available Information specified as such in the relevant Issue Terms (or, if no such source is specified, each of Bloomberg, Reuters, Dow Jones Newswires, The Wall Street Journal, The New York Times, Nihon Keizai Shimbun, AsahiShimbun, YomiuriShimbun, Financial Times, La Tribune, Les Echos, The Australian Financial Review and Debtwire (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organised and any other internationally recognised published or electronically displayed news sources).

“**Publicly Available Information**” means information that reasonably confirms any of the facts relevant to the determination that the Credit Event or Potential Repudiation/Moratorium, as applicable, described in a Credit Event Notice or Repudiation/Moratorium Extension Notice have occurred and which (a) has been published in or on not less than the Specified Number of Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information; (b) is information received from or published by (i) the Reference Entity (or if the Reference Entity is a Sovereign, any agency, instrumentality, ministry, department or other authority thereof acting in a governmental capacity (including, without limiting the foregoing, the central bank) of such Sovereign) or (ii) a trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation, or (c) is information contained in any order, decree, notice, petition or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body; provided that where any information of the type described in sub-paragraphs (a) to (c) of this definition is not publicly available, it can only constitute Publicly Available Information if it can be made public without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information.

In relation to any information of the type described in sub-paragraphs (b) and (c) in the first paragraph of this definition, the party receiving such information may assume that such information has been disclosed to it without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information and that the party delivering such information has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to the party receiving such information.

Without limitation, Publicly Available Information need not state (a) in relation to the definition of “Downstream Affiliate”, the percentage of Voting Shares owned by the Reference Entity and (b) that the relevant occurrence (i) has met the Payment Requirement or Default Requirement, (ii) is the result of exceeding any applicable Grace Period or (iii) has met the subjective criteria specified in certain Credit Events.

In relation to a Repudiation/Moratorium Credit Event, Publicly Available Information must relate to the events described in sub-paragraphs (a) and (b) of the definition of “Repudiation/Moratorium”.

**“Qualifying Affiliate Guarantee”** means a Qualifying Guarantee provided by the Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of the Reference Entity.

**“Qualifying Guarantee”** means a guarantee evidenced by a written instrument (which may include a statute or regulation), pursuant to which the Reference Entity irrevocably agrees, undertakes or is otherwise obliged to pay all amounts of principal and interest (except for amounts which are not covered due to the existence of a Fixed Cap) due under an “Underlying Obligation” for which the Underlying Obligor is the obligor, by guarantee of payment and not by guarantee of collection (or, in either case, any legal arrangement which is equivalent thereto in form under the relevant governing law).

A Qualifying Guarantee shall not include any guarantee:

- (a) which is structured as a surety bond, financial guarantee insurance policy or letter of credit (or any legal arrangement which is equivalent thereto in form); or
- (b) pursuant to the terms applicable thereto) the principal payment obligations of the Reference Entity can be discharged, released, reduced, assigned or otherwise altered as a result of the occurrence or non-occurrence of an event or circumstance other than: (i) by payment; (ii) by way of Permitted Transfer; (iii) by operation of law; (iv) due to the existence of a Fixed Cap; or (v) due to: (A) provisions permitting or anticipating a Governmental Intervention, if “Financial Reference Entity Terms” is specified as applicable in the relevant Issue Terms; or (B) any Solvency Capital Provisions, if “Subordinated European Insurance Terms” is specified as applicable in the relevant Issue Terms.

If the guarantee or Underlying Obligation contains provisions relating to the discharge, release, reduction, assignment or other alteration of the principal payment obligations of the Reference Entity and such provisions have ceased to apply or are suspended at the time of the relevant determination, in accordance with the terms of such guarantee or Underlying Obligation, due to or following the occurrence of (A) a non-payment in respect of the guarantee or the Underlying Obligation, or (B) an event of the type described in the definition of “Bankruptcy” in respect of the Reference Entity or the Underlying Obligor, then it shall be deemed for these purposes that such cessation or suspension is permanent, notwithstanding the terms of the guarantee or Underlying Obligation.

In order for a guarantee to constitute a Qualifying Guarantee: (I) The benefit of a Qualifying Guarantee such guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation; and (II) if a guarantee contains a Fixed Cap, all claims to any amounts which are subject to such Fixed Cap must be capable of being Delivered together with the Delivery of such guarantee.

**“Quotation”** means each Full Quotation and the Weighted Average Quotation obtained and expressed as a percentage of the Deliverable Obligation’s Outstanding Principal Balance or Due and Payable Amount (or if a Quotation is being obtained in respect of the Asset Package resulting from any Prior Deliverable Obligation or Package Observable Bond, the Outstanding Principal Balance of the relevant Prior Deliverable Obligation or Package Observable Bond immediately prior to the Asset Package Credit Event), as applicable, with respect to a Valuation Date in the manner that follows:

- (a) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Quotation Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Quotation Dealers and, if two or more Full Quotations are not available, a Weighted Average Quotation.

- (b) If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation on the same Business Day on or prior to the tenth Business Day following the applicable Valuation Date, the Quotations shall be deemed to be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or if no Full Quotation is obtained, the weighted average of any firm quotations for the Reference Obligation obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.

“**Quotation Amount**” means an amount determined by the Calculation Agent not in excess of the Aggregate Nominal Amount of the Credit Linked Notes or its equivalent in the relevant Obligation Currency, which shall be converted by the Calculation Agent in a commercially reasonable manner by reference to exchange rates in effect at the time that the relevant Quotation is being obtained). Where an Asset Package Credit Event has occurred and a Deliverable Obligation has been converted into an Asset Package, the Quotation Amount for all or any part of the Asset Package shall be such amount as the Calculation Agent determines appropriate in its sole and absolute discretion.

“**Quotation Dealer**” means, as selected by the Calculation Agent in its discretion, acting in a commercially reasonable manner, a dealer in obligations of the type for which Quotations are to be obtained, including each Quotation Dealer specified in the relevant Issue Terms. Upon a Quotation Dealer no longer being in existence (with no successors), or not being an active dealer in the obligations of the type for which Quotations are to be obtained, the Calculation Agent may, in its discretion, acting in a commercially reasonable manner, substitute any other Quotation Dealer(s) for one or more of the foregoing.

“**Quotation Method**” means the applicable Quotation Method specified in the relevant Issue Terms by reference to one of the following terms (or, if no Quotation Method is specified, Bid shall apply), where:

- (a) “**Bid**” means that only bid quotations shall be requested from Quotation Dealers;
- (b) “**Offer**” means that only offer quotations shall be requested from Quotation Dealers; or
- (c) “**Mid-market**” means that bid and offer quotations shall be requested from Quotation Dealers and shall be averaged for purposes of determining a relevant Quotation Dealer’s quotation,

provided that in respect of any Asset Package which is the subject of a Quotation, the Quotation Method shall be any of the above Quotation Methods selected by the Calculation Agent in its sole and absolute discretion, or any other method of quotation provided in the market for the relevant Asset as determined by the Calculation Agent, notwithstanding the Quotation Method specified in the relevant Issue Terms.

“**Redemption Date**” means the Auction Redemption Date, Cash Redemption Date, Physical Redemption Date or, if Credit Payment on Maturity applies, the Final Auction Redemption Date or the Final Cash Redemption Date, as applicable.

“**Redemption Failure Event**” means, in each case as determined by the Bank in its discretion, acting in a commercially reasonable manner, that (a) it is impossible, impracticable or illegal for the Bank to pay (due to an event beyond the control of the Bank), or for a Noteholder to accept payment of (due to an event beyond the control of such Noteholder), any cash amount (including, without limitation, any portion of the Auction Redemption Amount or the Cash Redemption Amount in respect of the Credit Linked Notes) required to be paid on the date scheduled for such payment, (b) the failure of a Noteholder to surrender a Credit Linked Note for cancellation on or before the Scheduled Maturity Date, first Delivery Date in respect of the applicable Physical Redemption Date, the Auction

Redemption Date or the Cash Redemption Date, as the case may be, or (c) the failure of any relevant person to duly execute, deliver and/or accept a transfer certificate or other transfer document on or before any Delivery Date and/or specify a date for transfer of the relevant Deliverable Obligation that is on or before any Delivery Date, in each case in accordance with the terms of the relevant Deliverable Obligation.

“**Redemption Suspension Notice**” has the meaning given to that term in Credit Linked Asset Condition 2.10 (*Effect of DC Announcements*).

“**Reference Entity**” means the entity specified as such in the relevant Issue Terms. Any Successor to the Reference Entity either (a) identified by the Calculation Agent pursuant to the definition of “Successor” on or following the Trade Date or (b) identified pursuant to a DC Resolution in respect of a Successor Resolution Request Date and publicly announced by the DC Secretary on or following the Trade Date shall, in each case, with effect from the Succession Date, be the Reference Entity.

“**Reference Entity Notional Amount**” means, in respect of each Reference Entity, the amount specified in the relevant Issue Terms, subject to amendment as provided herein.

“**Reference Obligation**” means:

- (a) if “Standard Reference Obligation” is specified as applicable in the relevant Issue Terms, the Standard Reference Obligation;
- (b) if “Standard Reference Obligation” is specified as not applicable in the relevant Issue Terms, in which case the Reference Obligation(s) will be the Non-Standard Reference Obligation(s), if any; or
- (c) if (i) “Standard Reference Obligation” is specified as applicable in the relevant Issue Terms, (ii) there is no Standard Reference Obligation and (iii) a Non-Standard Reference Obligation is specified in the relevant Issue Terms, in which case the Reference Obligation will be (A) the Non-Standard Reference Obligation to but excluding the first date of publication of the Standard Reference Obligation and (B) the Standard Reference Obligation from such date onwards, provided that the Standard Reference Obligation that is published would have been eligible to be selected as a Substitute Reference Obligation.

“**Reference Obligation Only Entity**” means a Reference Entity in respect of which (a) “Reference Obligation Only” is specified as the Obligation Category and the Deliverable Obligation Category in the relevant Issue Terms in respect of such Reference Entity and (b) “Standard Reference Obligation” is specified as not applicable in the relevant Issue Terms in respect of such Reference Entity.

“**Reference Portfolio**” means the Reference Entity and Reference Obligation or the portfolio of Reference Entities and Reference Obligations, as the case may be, specified in the relevant Issue Terms, as the same may be amended from time to time in accordance with the provisions of the Credit Linked Asset Conditions and the relevant Issue Terms.

“**Relevant City Business Day**” has the meaning given to that term in the DC Rules.

“**Relevant Credit Event**” means:

- (a) in the case of Single Name Credit Linked Notes and Fixed Recovery Notes, the first Credit Event to occur with respect to the Reference Entity; and
- (b) in the case of Linear Basket Notes, each Credit Event to occur with respect to any Reference Entity in the Reference Portfolio.

“**Relevant Event Determination Date**” means the Event Determination Date occurring with respect to a Relevant Credit Event.

“**Relevant Guarantee**” means a Qualifying Affiliate Guarantee or, if “All Guarantees” is specified as applicable in the relevant Issue Terms, a Qualifying Guarantee.

“**Relevant Holder**” means a holder of the Prior Deliverable Obligation or Package Observable Bond, as the case may be, with an Outstanding Principal Balance or Due and Payable Amount, as applicable, immediately prior to the relevant Asset Package Credit Event, equal to the Outstanding Amount specified in respect of such Prior Deliverable Obligation or Package Observable Bond in the Notice of Physical Settlement, or NOPS Amendment Notice, as applicable.

“**Relevant Obligations**” means the Obligations of the Reference Entity which fall within the Obligation Category “Bond or Loan” and which are outstanding immediately prior to the Succession Date (or, if there is a Steps Plan, immediately prior to the legally effective date of the first succession), provided that:

- (a) any Bonds or Loans outstanding between the Reference Entity and any of its Affiliates, or held by the Reference Entity, shall be excluded;
- (b) if there is a Steps Plan, the Calculation Agent shall, for purposes of the determination required to be made under the definition of “Successor”, make the appropriate adjustments required to take account of any Obligations of the Reference Entity which fall within the Obligation Category “Bond or Loan” that are issued, incurred, redeemed, repurchased or cancelled from and including the legally effective date of the first succession to and including the Succession Date;
- (c) if “Financial Reference Entity Terms” is specified as applicable in the relevant Issue Terms and the Reference Entity is a Senior Reference Entity, the Relevant Obligations shall only include the Senior Obligations of the Reference Entity which fall within the Obligation Category “Bond or Loan”; and
- (d) if “Financial Reference Entity Terms” is specified as applicable in the relevant Issue Terms, and the relevant Reference Entity is a Subordinated Reference Entity, Relevant Obligations shall exclude Senior Obligations and any Further Subordinated Obligations of the Reference Entity which fall within the Obligation Category “Bond or Loan”, provided that if no such Relevant Obligations exist, “Relevant Obligations” shall have the same meaning as it would if the relevant Reference Entity were a Senior Reference Entity.

“**Repudiation/Moratorium**” means the occurrence of both of the following events: (a) an authorised officer of the Reference Entity or a Governmental Authority (i) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than the Default Requirement or (ii) declares or imposes a moratorium, standstill, roll-over or deferral, whether *de facto* or *de jure*, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement; and (b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation that occurs on or prior to the Repudiation/Moratorium Evaluation Date.

“**Repudiation/Moratorium Evaluation Date**” means, if a Potential Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date, (a) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (i) the date that is 60 days after the date of such Potential Repudiation/Moratorium and (ii) the first payment date under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period in respect of such payment date) and (b) if the Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is 60 days after the date of such Potential Repudiation/Moratorium; provided that, in either case, the Repudiation/Moratorium



Evaluation Date shall occur no later than the Scheduled Maturity Date unless the Repudiation/Moratorium Extension Condition is satisfied.

The “**Repudiation/Moratorium Extension Condition**” is satisfied (a) if the DC Secretary publicly announces, pursuant to a valid request that was delivered and effectively received on or prior to the date that is 14 calendar days after the Scheduled Maturity Date, that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the Reference Entity and that such event occurred on or prior to the Scheduled Maturity Date and such resolution constitutes an Applicable Resolution or (b) otherwise, by the delivery by the Bank to the Fiscal Agent of a Repudiation/Moratorium Extension Notice and, unless “Notice of Publicly Available Information” is specified not applicable in the relevant Issue Terms, a Notice of Publicly Available Information that is effective on or prior to the date that is 14 calendar days after the Scheduled Maturity Date. In all cases, the Repudiation/Moratorium Extension Condition will be deemed not to have been satisfied, or not capable of being satisfied, if, or to the extent that, the DC Secretary publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved that either (i) an event does not constitute a Potential Repudiation/Moratorium with respect to an Obligation of the Reference Entity or (ii) an event that constitutes a Potential Repudiation/Moratorium for the purposes of the relevant Credit Linked Notes has occurred with respect to an Obligation of the relevant Reference Entity but that such event occurred after the Scheduled Maturity Date.

“**Repudiation/Moratorium Extension Notice**” means an irrevocable notice from the Bank to the Fiscal Agent that describes a Potential Repudiation/Moratorium that occurred on or prior to the Scheduled Maturity Date. A Repudiation/Moratorium Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium Extension Notice need not be continuing on the date the Repudiation/Moratorium Extension Notice is effective.

“**Resolve**” means, with respect to a Credit Derivatives Determinations Committee, the making of a specific determination in accordance with the DC Rules, and “**Resolved**” and “**Resolves**” shall be construed accordingly.

“**Restructured Bond or Loan**” means an Obligation that is a Bond or Loan and in respect of which the relevant Restructuring has occurred.

“**Restructuring**” means that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between the Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all holders of the Obligation or is announced (or otherwise decreed) by the Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation (including, in each case, in respect of Bonds only, by way of exchange) and such event is not expressly provided for under the terms of such Obligation in effect as of the later of the Credit Event Backstop Date applicable to the relevant Credit Linked Notes and the date as of which such Obligation is issued or incurred:

- (a) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
- (b) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
- (c) a postponement or other deferral of a date or dates for either (i) the payment or accrual of interest or (ii) the payment of principal or premium;

- (d) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or
- (e) any change in the currency of any payment of interest, principal or premium to any currency other than the lawful currency of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

Notwithstanding the above in this definition of “Restructuring”, none of the following shall constitute a Restructuring:

- (i) the payment in euros of interest, principal or premium in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;
- (ii) the redenomination from euros into another currency, if (A) the redenomination occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority and (B) a freely available market rate of conversion between euros and such other currency existed at the time of such redenomination and there is no reduction in the rate or amount of interest, principal or premium payable, as determined by reference to such freely available market rate of conversion;
- (iii) the occurrence of, agreement to or announcement of any of the events described in subparagraphs (a) to (e) of this definition due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and
- (iv) the occurrence of, agreement to or announcement of any of the events described in subparagraphs (a) to (e) of this definition in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity, provided that in respect of sub-paragraph (e) of this definition only, no such deterioration in the creditworthiness or financial condition of the Reference Entity is required where the redenomination is from euros into another currency and occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

For the purposes of this definition of “Restructuring”, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Guarantee. In the case of a Guarantee and an Underlying Obligation, references to the Reference Entity in this definition shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in this definition of “Restructuring” shall continue to refer to the Reference Entity.

If an exchange has occurred, the determination as to whether one of the events described under subparagraphs (a) to (e) of this definition has occurred will be based on a comparison of the terms of the Bond immediately prior to such exchange and the terms of the resulting obligations immediately following such exchange.

“**Restructuring Date**” means the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

“**Restructuring Maturity Limitation Date**” means, with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Maturity Date. Notwithstanding the foregoing, if the final maturity date of the Restructured Bond or Loan with the latest final maturity

date of any Restructured Bond or Loan occurs prior to the 2.5-year Limitation Date (such Restructured Bond or Loan, a “**Latest Maturity Restructured Bond or Loan**”) and the Scheduled Maturity Date occurs prior to the final maturity date of such Latest Restructured Bond or Loan, then the Restructuring Maturity Limitation Date will be the final maturity date of such Latest Maturity Restructured Bond or Loan.

“**Revised Currency Rate**” means, with respect to a Replacement Deliverable Obligation specified in a NOPS Amendment Notice, the rate of conversion between the currency in which the Replaced Deliverable Obligation Outstanding Amount is denominated and the currency in which the Outstanding Amount of such Replacement Deliverable Obligation is denominated that is determined either (a) by reference to the Currency Rate Source as at the Next Currency Fixing Time or (b) if such rate is not available at such time, as the Calculation Agent shall determine in a commercially reasonable manner.

“**Scheduled Maturity Date**” means, in respect of an issue of Notes, the date specified as such in the relevant Issue Terms.

“**Senior Obligation**” means any obligation which is not Subordinated to any unsubordinated Borrowed Money obligation of the Reference Entity.

“**Senior Reference Entity**” means a Reference Entity for which (a) the Reference Obligation(s) or Prior Reference Obligation(s), as applicable, is/are a Senior Obligation provided that if there is more than one Reference Obligation for a Reference Entity, and not all of the Reference Obligations are Senior Obligations, then “Senior Reference Entity” means a Reference Entity in respect of which “Senior Level” is specified as the Seniority Level in the relevant Issue Terms, or (b) there is no Reference Obligation or Prior Reference Obligation.

“**Seniority Level**” means, with respect to a Reference Entity, (a) “Senior Level” or “Subordinated Level” as specified in the relevant Issue Terms, or (b) if no such seniority level is specified in the relevant Issue Terms, “Senior Level” if the only Original Non-Standard Reference Obligation is a Senior Obligation or “Subordinated Level” if the only Original Non-Standard Reference Obligation is a Subordinated Obligation, failing which (c) “Senior Level”.

“**Settlement Currency**” means the currency specified in the relevant Issue Terms, or if no currency is specified in the relevant Issue Terms, the Specified Currency of the Credit Linked Notes.

“**Single Name Credit Linked Notes**” means any Series in respect of which the Bank purchases credit protection from Noteholders in respect of one Reference Entity alone.

“**Solvency Capital Provisions**” means any terms in an obligation which permit the Reference Entity’s payment obligations thereunder to be deferred, suspended, cancelled, converted, reduced or otherwise varied and which are necessary in order for the obligation to constitute capital resources of a particular tier.

“**Sovereign**” means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority acting in a governmental capacity (including, without limiting the foregoing, the central bank) thereof.

“**Sovereign Restructured Deliverable Obligation**” means an Obligation of a Reference Entity which is a Sovereign (either directly or as provider of a Relevant Guarantee) (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice or Applicable DC Credit Event Announcement has occurred and (b) which fell within the definition of “Deliverable Obligation” immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

“**Sovereign Succession Event**” means, with respect to a Reference Entity that is a Sovereign, an annexation, unification, secession, partition, dissolution, consolidation, reconstitution or other similar event.

“**Specified Number**” means the number of Public Sources specified in the relevant Issue Terms (or, if no such number is specified, two).

“**SRO List**” means the list of Standard Reference Obligations as published by ISDA on its website at [www.isda.org](http://www.isda.org) from time to time (or any successor website thereto) or by a third party designated by ISDA on its website from time to time.

“**Standard Reference Obligation**” means the obligation of the Reference Entity with the relevant Seniority Level which is specified from time to time on the SRO List.

“**Standard Specified Currency**” means each of the lawful currencies of Canada, Japan, Switzerland, France, Germany, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

“**Steps Plan**” means a plan evidenced by Eligible Information contemplating that there will be a series of successions to some or all of the Relevant Obligations of the Reference Entity, by one or more entities.

“**Subordinated Obligation**” means any obligation which is Subordinated to any unsubordinated Borrowed Money obligation of the Reference Entity or which would be so Subordinated if any unsubordinated Borrowed Money obligation of the Reference Entity existed.

“**Subordinated Reference Entity**” means a Reference Entity for which the Reference Obligation(s) or Prior Reference Obligation(s), as applicable, is/are a Subordinated Obligation provided that, if there is more than one Reference Obligation and not all of the Reference Obligations are Subordinated Reference Obligations, then “Subordinated Reference Entity” means a Reference Entity specified as such in the relevant Issue Terms.

“**Substitute Reference Obligation**” means, with respect to a Non-Standard Reference Obligation to which a Substitution Event has occurred, the obligation that may replace the Non-Standard Reference Obligation, determined by the Calculation Agent in accordance with Credit Linked Asset Condition 2.16 (*Reference Obligation*).

Notwithstanding the definition of “Substitute Reference Obligation” (a) no Substitute Reference Obligation shall be determined in respect of a Reference Obligation Only Series and (b) if the events set out in sub-paragraph (b) or (c) of the definition of “Substitution Event” occur with respect to the Reference Obligation in a Reference Obligation Only Series, such Reference Obligation shall continue to be the Reference Obligation.

“**Substitution Date**” means, with respect to a Substitute Reference Obligation, the date on which the Calculation Agent notifies the Fiscal Agent of the Substitute Reference Obligation that it has identified in accordance with the definition of “Substitute Reference Obligation”.

“**Substitution Event**” means, with respect to a Non-Standard Reference Obligation:

- (a) the Non-Standard Reference Obligation is redeemed in whole;
- (b) the aggregate amounts due under the Non-Standard Reference Obligation have been reduced by redemption or otherwise below USD 10,000,000 or its equivalent in the relevant Obligation Currency, as determined by the Calculation Agent); or

- (c) for any other reason, other than due to the existence or occurrence of a Credit Event, the Non-Standard Reference Obligation is no longer an obligation of the Reference Entity, (either directly or as provider of a guarantee).

For the purposes of the identification of a Non-Standard Reference Obligation, any change in the Non-Standard Reference Obligation's CUSIP or ISIN number or other similar identifier will not, in and of itself, constitute a Substitution Event.

If an event described in sub-paragraph (a) or (b) of this definition has occurred on or prior to the Trade Date, then a Substitution Event shall be deemed to have occurred pursuant to sub-paragraph (a) or (b) of this definition, as the case may be, on the Trade Date.

“**Substitution Event Date**” means, with respect to the Reference Obligation, the date of the occurrence of the relevant Substitution Event.

“**Successor**” means subject to Credit Linked Asset Condition 2.14.5 (*Eligible Successors*), the entity or entities, if any, determined by the Calculation Agent or the Credit Derivatives Determination Committee (as applicable) as follows:

- (a) subject to sub-paragraph (vii) of this definition, if one entity succeeds, either directly or as a provider of a Relevant Guarantee to 75 per cent. or more of the Relevant Obligations of the Reference Entity, that entity will be the sole Successor in respect of (A) the entire Aggregate Nominal Amount of the Notes outstanding as at the Succession Date or (B) if the Notes are Linear Basket Notes, the entire Reference Entity Notional Amount of that original Reference Entity outstanding as at the Succession Date;
- (b) if only one entity succeeds, either directly or as a provider of a Relevant Guarantee to more than 25 per cent. (but less than 75 per cent.) of the Relevant Obligations of the Reference Entity and not more than 25 per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than 25 per cent. of the Relevant Obligations will be the sole Successor in respect of (A) the entire Aggregate Nominal Amount of the Notes outstanding as at the Succession Date or (B) if the Notes are Linear Basket Notes, the entire Reference Entity Notional Amount of that original Reference Entity outstanding as at the Succession Date;
- (c) if more than one entity each succeeds, either directly or as provider of a Relevant Guarantee to more than 25 per cent. of the Relevant Obligations of the Reference Entity, and not more than 25 per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entities that succeed to more than 25 per cent. of the Relevant Obligations will each be a Successor in respect of a portion of the Aggregate Nominal Amount of the Notes outstanding as at the Succession Date or, if the Notes are Linear Basket Notes, in respect of a portion of the Reference Entity Notional Amount of the original Reference Entity outstanding as at the Succession Date (subject to Credit Linked Asset Condition 2.14 (*Successor Provisions*));
- (d) if one or more entities each succeeds, either directly or as provider of a Relevant Guarantee to more than 25 per cent. of the Relevant Obligations of the Reference Entity, and more than 25 per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the Reference Entity will each be a in respect of a portion of the Aggregate Nominal Amount of the Notes outstanding as at the Succession Date or, if the Notes are Linear Basket Notes, in respect of a portion of the Reference Entity Notional Amount of the original Reference Entity outstanding as at the Succession Date subject to and in accordance with Credit Linked Asset Condition 2.14 (*Successor Provisions*);

- (e) if one or more entities succeeds, either directly or as provider of a Relevant Guarantee to a portion of the Relevant Obligations of the Reference Entity, but no entity succeeds to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity and the Credit Linked Notes will not be changed in any way as a result of such succession;
- (f) if one or more entities succeeds either directly or as provider of a Relevant Guarantee to a portion of the Relevant Obligations of the Reference Entity, but no entity succeeds to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations will be the Successor (provided that if two or more entities succeed to an equal percentage of Relevant Obligations, each such entity will be a Successor) subject to and in accordance with the provisions of Credit Linked Asset Condition 2.14 (*Successor Provisions*); and
- (g) in respect of a Reference Entity which is not a Sovereign, if one entity assumes all of the obligations (including at least one Relevant Obligation) of the Reference Entity, and at the time of the determination either (A) the Reference Entity has ceased to exist, or (B) the Reference Entity is in the process of being dissolved (howsoever described) and the Reference Entity has not issued or incurred any Borrowed Money obligation at any time since the legally effective date of the assumption, such entity (the “**Universal Successor**”) will be the sole Successor in respect of the relevant Series.

For the purposes of this definition, “**succeed**” means, with respect to the Reference Entity and its Relevant Obligations, that an entity other than the Reference Entity (A) assumes or becomes liable for such Relevant Obligations whether by operation of law or pursuant to any agreement (including, with respect to a Reference Entity that is a Sovereign, any protocol, treaty, convention, accord, concord, entente, pact or other agreement), or (B) issues Bonds or incurs loans (the “**Exchange Bonds or Loans**”) that are exchanged for Relevant Obligations (or, as applicable, obligations), and in either case the Reference Entity is not thereafter a direct obligor or a provider of a Relevant Guarantee with respect to the Relevant Obligations or such Exchange Bonds or Loans, as applicable. For the purposes of this definition, “**succeeded**” and “**succession**” shall be construed accordingly.

“**Successor Backstop Date**” means for purposes of any Successor determination determined by DC Resolution, the date that is 90 calendar days prior to the Successor Resolution Request Date otherwise, the date that is 90 calendar days prior to the earlier of (a) the date on which the Successor Notice is effective and (b) in circumstances where (i) a Successor Resolution Request Date has occurred, (ii) the relevant Credit Derivatives Determinations Committee has Resolved not to make a Successor determination and (iii) the Successor Notice is delivered by the Bank to the Fiscal Agent not more than 14 calendar days after the day on which the DC Secretary publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to make a Successor determination, the Successor Resolution Request Date. The Successor Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

“**Succession Date**” means the legally effective date of an event in which one or more entities succeed to some or all of the Relevant Obligations of the Reference Entity; provided that if at such time, there is a Steps Plan, the Succession Date will be the legally effective date of the final succession in respect of such Steps Plan, or if earlier (a) the date on which a determination pursuant to the definition of “**Successor**” would not be affected by any further related successions in respect of such Steps Plan, or (b) the occurrence of an Event Determination Date in respect of the Reference Entity or any entity which would constitute a Successor.

“**Successor Notice**” means an irrevocable notice from the Bank to the Fiscal Agent that describes a succession (or, in relation to a Reference Entity that is a Sovereign, a Sovereign Succession Event) in

respect of which a Succession Date has occurred and pursuant to which one or more Successors to the Reference Entity can be determined. A Successor Notice must contain a description in reasonable detail of the facts relevant to the determination to be made pursuant to the definition of “Successor”.

“**Successor Resolution Request Date**” means, with respect to a notice to the DC Secretary requesting that a Credit Derivatives Determinations Committee be convened to Resolve one or more Successors to the Reference Entity, the date, as publicly announced by the DC Secretary, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective.

“**TARGET Settlement Day**” means any day on which TARGET2 (the Trans-European Automarket Real-time Gross Settlement Express Transfer System) is open.

“**Term**” means the period commencing on and including the Trade Date and ending on and including the Scheduled Maturity Date (or, if applicable, Extended Maturity Date) of the Credit Linked Notes.

“**Trade Date**” means the date specified as such in the relevant Issue Terms.

“**Transaction Auction Settlement Terms**” means the relevant Credit Derivatives Auction Settlement Terms, whether or not the Credit Linked Notes are covered by such Credit Derivatives Auction Settlement Terms; provided that the Calculation Agent determines in its discretion, acting in a commercially reasonable manner, that (a) the relevant Deliverable Obligations Terms are substantially the same as the Deliverable Obligations Provisions with respect to the Credit Linked Notes, and (b) if such Credit Event is a Restructuring for which either “Restructuring Maturity Limitation and Fully Transferable Obligation” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation” is applicable or deemed to be applicable, a credit derivatives transaction with the same tenor as the Credit Linked Notes would be an “Auction Covered Transaction” for the purposes of the relevant Credit Derivatives Auction Settlement Terms.

“**Transaction Type**” means, for the purposes of the application of the Physical Settlement Matrix to a Series where “Physical Settlement Matrix Standard Terms” is specified as applicable in the relevant Issue Terms, each Reference Entity designated as one of the following in the relevant Issue Terms:

- (a) North American Corporate;
- (b) European Corporate;
- (c) European Financial Corporate;
- (d) Australia Corporate;
- (e) Australia Financial Corporate;
- (f) New Zealand Corporate;
- (g) New Zealand Financial Corporate;
- (h) Japan Corporate;
- (i) Japan Financial Corporate;
- (j) Singapore Corporate;
- (k) Singapore Financial Corporate;
- (l) Asia Corporate;
- (m) Asia Financial Corporate;
- (n) Asia Sovereign;
- (o) Emerging European & Middle Eastern Sovereign;

- (p) Japan Sovereign;
- (q) Australia Sovereign;
- (r) New Zealand Sovereign;
- (s) Singapore Sovereign;
- (t) Latin America Sovereign;
- (u) Western European Sovereign,

and any other Transaction Type which may be added to the Physical Settlement Matrix from time to time.

“**Undeliverable Deliverable Obligations**” has the meaning given to that term in Credit Linked Asset Condition 2.6.10 (*Partial Cash Redemption Terms and Fallback Cash Redemption Terms*).

“**Undelivered Deliverable Obligation**” has the meaning given to that term in Credit Linked Asset Condition 2.6.10 (*Partial Cash Redemption Terms and Fallback Cash Redemption Terms*).

“**Underlying Obligation**” means, with respect to a guarantee, the obligation which is the subject of the guarantee.

“**Underlying Obligor**” means, with respect to an Underlying Obligation, the issuer in the case of a Bond, the borrower in the case of a Loan, or the principal obligor in the case of any other Underlying Obligation.

“**Universal Successor**” has the meaning given in paragraph (g) of the definition of “Successor”.

“**Valuation Date**” means:

- (a) if “Single Valuation Date” is specified in the relevant Issue Terms, subject to the provisions of Credit Linked Asset Condition 2.10 (*Effect of DC Announcements*), the date that is the number of Business Days specified in the relevant Issue Terms after the Event Determination Date (or, if the Event Determination Date occurs pursuant to sub-paragraph (a)(ii) of the definition of “Event Determination Date” or sub-paragraph (b)(i) of the definition of “Non-Standard Event Determination Date”, the day on which the DC Credit Announcement occurs) or, if the number of Business Days is not so specified, any day falling on or before the 90th Business Day after the Relevant Event Determination Date or, following any Auction Cancellation Date or No Auction Announcement Date, after such Auction Cancellation Date or No Auction Announcement Date (in each case, as selected by the Calculation Agent in its discretion, acting in a commercially reasonable manner);
- (b) if “Multiple Valuation Dates” is specified in the relevant Issue Terms, subject to the provisions of Credit Linked Asset Condition 2.10 (*Effect of DC Announcements*), each of the following dates:
  - (i) the date that is the number of Business Days specified in the relevant Issue Terms after the Event Determination Date (or, if the Event Determination Date occurs pursuant to sub-paragraph (a)(ii) of the definition of “Event Determination Date” or sub-paragraph (b)(i) of the definition of “Non-standard Event Determination Date”, the day on which the DC Credit Announcement occurs), Auction Cancellation Date or No Auction Announcement Date (or, if the number of Business Days is not specified, 5 Business Days); and
  - (ii) each successive date that is the number of Business Days specified in the relevant Issue Terms (or if the number of Business Days is not so specified, 5 Business Days) after the



date on which the Calculation Agent obtains a Market Value with respect to the immediately preceding Valuation Date.

When “Multiple Valuation Dates” is specified in the relevant Issue Terms, the total number of Valuation Dates shall be equal to the number of Valuation Dates specified in the relevant Issue Terms (or, if the number of Valuation Dates is not so specified, five Valuation Dates).

If neither “Single Valuation Date” nor “Multiple Valuation Dates” is specified in the relevant Issue Terms, the terms of sub-paragraph (a) of this definition shall apply as if “Single Valuation Date” had been specified in the relevant Issue Terms.

“**Valuation Method**” means:

- (a) where there is only one Valuation Date, Highest, Lowest or Market, as specified in the relevant Issue Terms.

If no Valuation Method is specified in the relevant Issue Terms, the Valuation Method shall be Highest.

- (b) where there is more than one Valuation Date, Average Highest, Average Market or Highest, as specified in the relevant Issue Terms.

If no Valuation Method is specified in the relevant Issue Terms, the Valuation Method shall be Average Highest.

where:

- (i) “**Average Highest**” means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent (or in accordance with sub-paragraph (b) of the definition of “Quotation”) with respect to each Valuation Date;
- (ii) “**Average Market**” means the unweighted arithmetic mean of the Market Values determined by the Calculation Agent with respect to each Valuation Date; or
- (iii) “**Highest**” means the highest Quotation obtained by the Calculation Agent (or in accordance with sub-paragraph (b) of the definition of “Quotation”) with respect to any Valuation Date;
- (iv) “**Lowest**” means the lowest Quotation obtained by the Calculation Agent (or in accordance with sub-paragraph (b) of the definition of “Quotation”) with respect to any Valuation Date; and
- (v) “**Market**” means the Market Value determined by the Calculation Agent with respect to the Valuation Date.

Notwithstanding sub-paragraphs (a) and (b) of this definition, if Quotations include Weighted Average Quotations or fewer than two Full Quotations, the Valuation Method shall be Market or Average Market, as the case may be.

“**Valuation Time**” means the time specified as such in the relevant Issue Terms or, if no such time is specified, the time determined by the Calculation Agent, which shall be as close as reasonably practicable to 11:00 a.m. London time, unless the Calculation Agent determines that the principal market valuing the Reference Obligation would be closed at such time or such transactions are not being conducted in sufficient volume (as determined by the Calculation Agent in its discretion, acting in a commercially reasonable manner) at such time, in which event the Valuation Time shall be such other time as may be specified by the Calculation Agent that such principal market is open.

“**Voting Shares**” means the shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

“**Weighted Average Quotation**” means, in accordance with the Quotation Method, the weighted average of firm quotations obtained from Quotation Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Reference Obligation with an Outstanding Principal Balance or Due and Payable Amount, as applicable, of as large a size as available but less than the Quotation Amount (but of a size at least equal to the Minimum Quotation Amount) that in aggregate are approximately equal to the Quotation Amount.

“**Weighting**” means in respect of a Reference Entity, the weighting specified for such Reference Entity in the relevant Issue Terms.

## 2.20 Interpretation of Obligation Characteristics and Deliverable Obligation Characteristics

2.20.1 If either of the Obligation Characteristics “Listed” or “Not Domestic Issuance” is specified in the relevant Issue Terms, the relevant Issue Terms shall be construed as though the relevant Obligation Characteristic had been specified as an Obligation Characteristic only with respect to Bonds.

2.20.2 If (a) either of the Deliverable Obligation Characteristics “Listed”, “Not Domestic Issuance” or “Not Bearer” is specified in the relevant Issue Terms, the relevant Issue Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Bonds; (b) the Deliverable Obligation Characteristic “Transferable” is specified in the relevant Issue Terms, such Issue Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Deliverable Obligations that are not Loans; or (c) any of the Deliverable Obligation Characteristics “Assignable Loan”, “Consent Required Loan” or “Direct Loan Participation” is specified in the relevant Issue Terms, such Issue Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Loans.

2.20.3 If more than one of “Assignable Loan”, “Consent Required Loan” and “Direct Loan Participation” are specified as Deliverable Obligation Characteristics in the relevant Issue Terms, the Deliverable Obligations may include any Loan that satisfies any one of such Deliverable Obligation Characteristics specified and need not satisfy all such Deliverable Obligation Characteristics.

2.20.4 If an Obligation or a Deliverable Obligation is a Relevant Guarantee, the following will apply:

- (a) For the purposes of the application of the Obligation Category or the Deliverable Obligation Category, the Relevant Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation;
- (b) For the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, both the Relevant Guarantee and the Underlying Obligation must satisfy on the relevant date or dates each of the applicable Obligation Characteristics or Deliverable Obligation Characteristics, if any, specified in the relevant Issue Terms from the following list: “Not Subordinated”, “Specified Currency”, “Not Sovereign Lender”, “Not Domestic Currency” and “Not Domestic Law”.
- (c) For the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date or dates each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the relevant Issue Terms from the following list: “Listed”, “Not Domestic Issuance”, “Assignable Loan”, “Consent Required Loan”, “Direct Loan Participation”, “Transferable”, “Maximum Maturity”, “Accelerated” or “Matured” and “Not Bearer”; and

- (d) For the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
- 2.20.5 For purposes of the application of the Deliverable Obligation Characteristic “Maximum Maturity”, remaining maturity shall be determined on the basis of the terms of the Deliverable Obligation in effect at the time of making such determination and, in the case of a Deliverable Obligation that is due and payable, the remaining maturity shall be zero.
- 2.20.6 If “Financial Reference Entity Terms” and “Governmental Intervention” are specified as applicable in the relevant Issue Terms, if an obligation would otherwise satisfy a particular Obligation Characteristic or Deliverable Obligation Characteristic, the existence of any terms in the relevant obligation in effect at the time of making the determination which permit the Reference Entity’s obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention, shall not cause such obligation to fail to satisfy such Obligation Characteristic or Deliverable Obligation Characteristic.
- 2.20.7 For purposes of determining the applicability of Deliverable Obligation Characteristics and the requirements specified in sub-paragraph (a) of Credit Linked Asset Condition 2.15.1 (*Restructuring Maturity Limitation*) and sub-paragraph (a) of Credit Linked Asset Condition 2.15.2 (*Modified Restructuring Maturity Limitation*) the definition of “Mod Mod R” to a Prior Deliverable Obligation or a Package Observable Bond, any such determination shall be made by reference to the terms of the relevant obligation in effect immediately prior to the Asset Package Credit Event.
- 2.20.8 If “Subordinated European Insurance Terms” is specified as applicable in the relevant Issue Terms, if an obligation would otherwise satisfy the “Maximum Maturity” Deliverable Obligation Characteristic, the existence of any Solvency Capital Provisions in such obligation shall not cause it to fail to satisfy such Deliverable Obligation Characteristic.

## 2.21 CoCo Supplementary Provisions

If “CoCo Supplementary Provisions” is specified as applicable in the relevant Issue Terms, the following provisions will apply:

- 2.21.1 A CoCo Provision shall be deemed to be a provision which permits a Governmental Intervention for all purposes under these Credit Linked Asset Conditions.
- 2.21.2 If, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, the operation of one or more CoCo Provisions results in (a) a permanent or temporary reduction of the amount of principal payable at redemption or (b) a conversion of principal into shares or another instrument, such event shall be deemed to constitute a Governmental Intervention falling within sub-paragraph (a) of the definition of “Governmental Intervention”.
- 2.21.3 For the purposes of this Credit Linked Asset Condition 2.21:

“**CoCo Provision**” means, with respect to an Obligation, a provision which requires (a) a permanent or temporary reduction of the amount of principal payable at redemption or (b) a conversion of principal into shares or another instrument, in each case, if the Capital Ratio is at or below the Trigger Percentage;

“**Trigger Percentage**” means the trigger percentage specified in the relevant Issue Terms (or if no such trigger percentage is specified, 5.25 per cent.); and

“**Capital Ratio**” means the ratio of capital to risk weighted assets applicable to the Obligation, as described in the terms thereof in effect from time to time.

## PAYOUT CONDITIONS

*This section sets out the additional terms and conditions that may apply to the interest payments in respect of the Notes. These Payout Conditions are only relevant to Notes for which the relevant Final Terms specifies any of the below Payout Conditions to be applicable. Only those chapters containing a Payout Condition specified in the relevant Final Terms to be applicable will apply to a particular Series of Notes.*

The following are the additional terms and conditions (the “**Payout Conditions**”) that apply to Notes as may be specified in the relevant Issue Terms. The Payout Conditions are set out as follows:

### **Coupon Payout Conditions**

The following chapters each relate to a different method of calculating the interest (if any) in respect of the Notes (as may be specified in the Issue Terms):

- Structured Floating Rate Coupon Payout Conditions CPC Chapter 1
- Inverse Floating Rate Coupon Payout Conditions CPC Chapter 2
- Fixed Rate Step-up/Step-down Coupon Payout Conditions CPC Chapter 3
- Fixed to Floating Coupon Payout Conditions CPC Chapter 4
- Floating to Fixed Coupon Payout Conditions CPC Chapter 5
- Fixed to Floating Switchable Coupon Payout Conditions CPC Chapter 6
- Floating to Fixed Switchable Coupon Payout Conditions CPC Chapter 7

## CPC Chapter 1: Structured Floating Rate Coupon Payout Conditions

*This chapter sets out additional terms and conditions which are only applicable to Notes for which the relevant Final Terms specify “Structured Floating Rate Coupon” to be applicable.*

The following terms and conditions (the “**Structured Floating Rate Coupon Payout Conditions**”) shall apply to the Notes if the relevant Issue Terms indicate that “Structured Floating Rate Coupon” is “Applicable”. These Structured Floating Rate Coupon Payout Conditions are subject to supplement or completion in accordance with the relevant Issue Terms. In the case of any inconsistency between these Structured Floating Rate Coupon Payout Conditions, the relevant Asset Conditions, and/or the Base General Conditions, these Structured Floating Rate Coupon Payout Conditions will prevail.

Words and expressions defined or used in the relevant Issue Terms shall have the same meanings where used in these Structured Floating Rate Coupon Payout Conditions unless the context otherwise requires or unless otherwise stated. All capitalised terms that are not defined in these Structured Floating Rate Coupon Payout Conditions or elsewhere in the Base Conditions will have the meanings given to them in the relevant Issue Terms.

Unless otherwise specified, references in these Structured Floating Rate Coupon Payout Conditions to a Payout Condition are to a section or clause of these Structured Floating Rate Coupon Payout Conditions.

### 3 Structured Floating Rate Coupon

#### 3.1 Definitions

For the purposes of these Structured Floating Rate Coupon Payout Conditions, the following terms shall have the following meanings:

“**Cap**” means, in respect of any Interest Accrual Period, the fixed rate, ISDA Rate, Screen Rate, CMS Rate or Variable Rate specified in the Issue Terms (or percentage thereof specified in the Issue Terms) and determined as if such rate were an “Underlying Rate” in accordance with the provisions of Rate Linked Asset Condition 1.1 (*Determination of the Underlying Rate*). If Cap is specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Cap shall be infinity for such Interest Accrual Period.

“**Floating Rate of Interest**” means a rate calculated as follows:

$$\text{MIN}\{\text{MAX}[(\text{Leverage} \times \text{Relevant Rate}) + \text{Margin}, \text{Floor}], \text{Cap}\}.$$

“**Floor**” means, in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the relevant Issue Terms, the percentage (which shall be greater than zero) specified under the heading “Floor” in such table adjacent to the relevant Interest Accrual Period. If Floor is specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Floor shall be zero for such Interest Accrual Period.

“**Leverage**” means, in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the relevant Issue Terms, the value or percentage specified under the heading “Leverage” in such table adjacent to the relevant Interest Accrual Period. If Leverage is specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Leverage shall be 100 per cent. or 1 (as the context may require) for such Interest Accrual Period.

“**Margin**” means, in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the relevant Issue Terms, the percentage (which may be positive or negative) specified under the heading “Margin” in such table adjacent to the relevant Interest Accrual Period. If Margin is specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Margin shall be zero for such Interest Accrual Period.

“**MAX**” followed by a series of amounts inside brackets, means whichever is the greater of the amounts separated by a comma inside those brackets.

“**MIN**” followed by a series of amounts inside brackets, means whichever is the lesser of the amounts separated by a comma inside those brackets.

“**Relevant Rate**” means the ISDA Rate, Screen Rate, CMS Rate or Variable Rate specified as such under the section “Relevant Rate” in the relevant Issue Terms and determined as if such rate were a “Underlying Rate” in accordance with the provisions of Rate Linked Asset Condition 1.1 (*Determination of the Underlying Rate*).

### **3.2 Rate of Interest**

The Rate of Interest applicable to the Notes in respect of any Interest Accrual Period to which the Structured Floating Rate Coupon Payout Conditions apply (as specified in the relevant Issue Terms) shall be the Floating Rate of Interest.

The Interest Amount shall be calculated in accordance with Base General Condition 5(c) (*Interest on Rate Linked Notes*).

## CPC Chapter 2: Inverse Floating Rate Coupon Payout Conditions

*This chapter sets out additional terms and conditions which are only applicable to Notes for which the relevant Final Terms specify “Inverse Floating Rate Coupon” to be applicable.*

The following terms and conditions (the “**Inverse Floating Rate Coupon Payout Conditions**”) shall apply to the Notes if the relevant Issue Terms indicate that “Inverse Floating Rate Coupon” is “Applicable”. These Inverse Floating Rate Coupon Payout Conditions are subject to supplement or completion in accordance with the relevant Issue Terms. In the case of any inconsistency between these Inverse Floating Rate Coupon Payout Conditions, the relevant Asset Conditions, and/or the Base General Conditions, these Inverse Floating Rate Coupon Payout Conditions will prevail.

Words and expressions defined or used in the relevant Issue Terms shall have the same meanings where used in these Inverse Floating Rate Coupon Payout Conditions unless the context otherwise requires or unless otherwise stated. All capitalised terms that are not defined in these Inverse Floating Rate Coupon Payout Conditions or elsewhere in the Base Conditions will have the meanings given to them in the relevant Issue Terms.

Unless otherwise specified, references in these Inverse Floating Rate Coupon Payout Conditions to a Payout Condition are to a section or clause of these Inverse Floating Rate Coupon Payout Conditions.

## 2 Inverse Floating Rate Coupon

### 2.1 Definitions

For the purposes of these Inverse Floating Rate Coupon Payout Conditions, the following terms shall have the following meanings:

“**Cap**” means, in respect of any Interest Accrual Period, the fixed rate, ISDA Rate, Screen Rate, CMS Rate or Variable Rate specified in the Issue Terms (or percentage thereof specified in the Issue Terms) and determined as if such rate were an “Underlying Rate” in accordance with the provisions of Rate Linked Asset Condition 1.1 (*Determination of the Underlying Rate*). If Cap is specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Cap shall be infinity for such Interest Accrual Period.

“**Fixed Rate of Interest**” means, in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the relevant Issue Terms, the rate specified under the heading “Fixed Rate of Interest” in such table adjacent to the relevant Interest Accrual Period.

“**Floor**” means, in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the relevant Issue Terms, the percentage (which shall be greater than zero) specified under the heading “Floor” in such table adjacent to the relevant Interest Accrual Period. If Floor is specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Floor shall be zero for such Interest Accrual Period.

“**Leverage**” means, in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the relevant Issue Terms, the value or percentage specified under the heading “Leverage” in such table adjacent to the relevant Interest Accrual Period. If Leverage is specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Leverage shall be 100 per cent. or 1 (as the context may require) for such Interest Accrual Period.

“**MAX**” followed by a series of amounts inside brackets, means whichever is the greater of the amounts separated by a comma inside those brackets.

“**MIN**” followed by a series of amounts inside brackets, means whichever is the lesser of the amounts separated by a comma inside those brackets.

“**Relevant Rate**” means the ISDA Rate, Screen Rate, CMS Rate or Variable Rate specified as such under the section “Relevant Rate” in the relevant Issue Terms and determined as if such rate were a “Underlying Rate” in accordance with the provisions of Rate Linked Asset Condition 1.1 (*Determination of the Underlying Rate*).

“**Variable Rate of Interest**” means a rate calculated as follows:

$$\text{MIN}\{\text{MAX}[\text{Fixed Rate of Interest} - (\text{Leverage} \times \text{Relevant Rate}), \text{Floor}], \text{Cap}\}.$$

## 2.2 Rate of Interest

The Rate of Interest applicable to the Notes in respect of any Interest Accrual Period to which the Inverse Floating Rate Coupon Payout Conditions apply (as specified in the relevant Issue Terms) shall be the Variable Rate of Interest.

The Interest Amount shall be calculated in accordance with Base General Condition 5(c) (*Interest on Rate Linked Notes*).



### **CPC Chapter 3: Fixed Rate Step-up/Step-down Coupon Payout Conditions**

*This chapter sets out additional terms and conditions which are only applicable to Notes for which the relevant Final Terms specify “Fixed Rate Step-up/Step-down Coupon” to be applicable.*

The following terms and conditions (the “**Fixed Rate Step-up/Step-down Coupon Payout Conditions**”) shall apply to the Notes if the relevant Issue Terms indicate that “Fixed Rate Step-up/Step-down Coupon” is “Applicable”. These Fixed Rate Step-up/Step-down Coupon Payout Conditions are subject to supplement or completion in accordance with the relevant Issue Terms. In the case of any inconsistency between these Fixed Rate Step-up/Step-down Coupon Payout Conditions, the relevant Asset Conditions and/or the Base General Conditions, these Fixed Rate Step-up/Step-down Coupon Payout Conditions will prevail.

Words and expressions defined or used in the relevant Issue Terms shall have the same meanings where used in these Fixed Rate Step-up/Step-down Coupon Payout Conditions unless the context otherwise requires or unless otherwise stated. All capitalised terms that are not defined in these Fixed Rate Step-up/Step-down Coupon Payout Conditions or elsewhere in the Base Conditions will have the meanings given to them in the relevant Issue Terms.

Unless otherwise specified, references in these Fixed Rate Step-up/Step-down Coupon Payout Conditions to a Payout Condition are to a section or clause of these Fixed Rate Step-up/Step-down Coupon Payout Conditions.

## **3 Fixed Rate Step-up/Step-down Coupon**

### **3.1 Rate of Interest**

The Rate of Interest applicable to the Notes in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the relevant Issue Terms to which the Fixed Rate Step-up/Step-down Coupon Payout Conditions apply (as specified in such Issue Terms), shall be the rate per annum specified under the heading “Rate of Interest” in such table adjacent to the relevant Interest Accrual Period.

The Interest Amount shall be calculated in accordance with Base General Condition 5(c) (*Interest on Rate Linked Notes*).

## CPC Chapter 4: Fixed to Floating Coupon Payout Conditions

*This chapter sets out additional terms and conditions which are only applicable to Notes for which the relevant Final Terms specify “Fixed to Floating Coupon” to be applicable.*

The following terms and conditions (the “**Fixed to Floating Coupon Payout Conditions**”) shall apply to the Notes if the relevant Issue Terms indicate that “Fixed to Floating Coupon” is “Applicable”. These Fixed to Floating Coupon Payout Conditions are subject to supplement or completion in accordance with the relevant Issue Terms. In the case of any inconsistency between these Fixed to Floating Coupon Payout Conditions, the relevant Asset Conditions and/or the Base General Conditions, these Fixed to Floating Coupon Payout Conditions will prevail.

Words and expressions defined or used in the relevant Issue Terms shall have the same meanings where used in these Fixed to Floating Coupon Payout Conditions unless the context otherwise requires or unless otherwise stated. All capitalised terms that are not defined in these Fixed to Floating Coupon Payout Conditions or elsewhere in the Base Conditions will have the meanings given to them in the relevant Issue Terms.

Unless otherwise specified, references in these Fixed to Floating Coupon Payout Conditions to a Payout Condition are to a section or clause of these Fixed to Floating Coupon Payout Conditions.

### 4 Fixed to Floating Coupon

#### 4.1 Definitions

For the purposes of these Fixed to Floating Coupon Payout Conditions, the following terms shall have the following meanings:

“**Cap**” means, in respect of any Interest Accrual Period, the fixed rate, ISDA Rate, Screen Rate, CMS Rate or Variable Rate specified in the Issue Terms (or percentage thereof specified in the Issue Terms) and determined as if such rate were an “Underlying Rate” in accordance with the provisions of Rate Linked Asset Condition 1.1 (*Determination of the Underlying Rate*). If Cap is specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Cap shall be infinity for such Interest Accrual Period.

“**Coupon Flip Date**” means the date specified as such in the relevant Issue Terms.

“**Fixed Rate of Interest**” means, in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the “Fixed Rate Provisions” section of the relevant Issue Terms, the rate specified under the heading “Fixed Rate of Interest” in such table adjacent to the relevant Interest Accrual Period.

“**Floating Rate of Interest**” means a rate calculated as follows:

$$\text{MIN}\{\text{MAX}[(\text{Leverage} \times \text{Relevant Rate}) + \text{Margin}, \text{Floor}], \text{Cap}\}.$$

“**Floor**” means, in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the relevant Issue Terms, the percentage (which shall be greater than zero) specified under the heading “Floor” in such table adjacent to the relevant Interest Accrual Period. If Floor is specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Floor shall be zero for such Interest Accrual Period.

“**Leverage**” means, in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the relevant Issue Terms, the value or percentage specified under the heading “Leverage” in such table adjacent to the relevant Interest Accrual Period. If Leverage is specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Leverage shall be 100 per cent. or 1 (as the context may require) for such Interest Accrual Period.

“**Margin**” means, in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the relevant Issue Terms, the percentage (whether positive or negative) specified under the heading “Margin” in such table adjacent to the relevant Interest Accrual Period. If Margin is specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Margin shall be zero for such Interest Accrual Period.

“**MAX**” followed by a series of amounts inside brackets, means whichever is the greater of the amounts separated by a comma inside those brackets.

“**MIN**” followed by a series of amounts inside brackets, means whichever is the lesser of the amounts separated by a comma inside those brackets.

“**Relevant Rate**” means the ISDA Rate, Screen Rate, CMS Rate or Variable Rate specified as such under the section “Relevant Rate” in the relevant Issue Terms and determined as if such rate were a “Underlying Rate” in accordance with the provisions of Rate Linked Asset Condition 1.1 (*Determination of the Underlying Rate*).

#### **4.2 Rate of Interest**

The Rate of Interest applicable to the Notes from time to time shall be:

- (i) for each Interest Accrual Period to which the Fixed to Floating Coupon Payout Conditions apply (as specified in the relevant Issue Terms) ending prior to the relevant Coupon Flip Date, the Fixed Rate of Interest in respect of such Interest Accrual Period; or
- (ii) for each Interest Accrual Period to which the Fixed to Floating Coupon Payout Conditions apply (as specified in the relevant Issue Terms) beginning on or after the relevant Coupon Flip Date, the Floating Rate of Interest in respect of such Interest Accrual Period.

The Interest Amount shall be calculated in accordance with Base General Condition 5(c) (*Interest on Rate Linked Notes*).

## CPC Chapter 5: Floating to Fixed Coupon Payout Conditions

*This chapter sets out additional terms and conditions which are only applicable to Notes for which the relevant Final Terms specify “Floating to Fixed Coupon” to be applicable.*

The following terms and conditions (the “**Floating to Fixed Coupon Payout Conditions**”) shall apply to the Notes if the relevant Issue Terms indicate that “Floating to Fixed Coupon” is “Applicable”. These Floating to Fixed Coupon Payout Conditions are subject to supplement or completion in accordance with the relevant Issue Terms. In the case of any inconsistency between these Floating to Fixed Coupon Payout Conditions, the relevant Asset Conditions and/or the Base General Conditions, these Floating to Fixed Coupon Payout Conditions will prevail.

Words and expressions defined or used in the relevant Issue Terms shall have the same meanings where used in these Floating to Fixed Coupon Payout Conditions unless the context otherwise requires or unless otherwise stated. All capitalised terms that are not defined in these Floating to Fixed Coupon Payout Conditions or elsewhere in the Base Conditions will have the meanings given to them in the relevant Issue Terms.

Unless otherwise specified, references in these Floating to Fixed Coupon Payout Conditions to a Payout Condition are to a section or clause of these Floating to Fixed Coupon Payout Conditions.

### 5 Floating to Fixed Coupon

#### 5.1 Definitions

For the purposes of these Floating to Fixed Coupon Payout Conditions, the following terms shall have the following meanings:

“**Cap**” means, in respect of any Interest Accrual Period, the fixed rate, ISDA Rate, Screen Rate, CMS Rate or Variable Rate specified in the Issue Terms (or percentage thereof specified in the Issue Terms) and determined as if such rate were an “Underlying Rate” in accordance with the provisions of Rate Linked Asset Condition 1.1 (*Determination of the Underlying Rate*). If Cap is specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Cap shall be infinity for such Interest Accrual Period.

“**Coupon Flip Date**” means the date specified as such in the relevant Issue Terms.

“**Fixed Rate of Interest**” means, in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the “Fixed Rate Provisions” section of the relevant Issue Terms, the rate specified under the heading “Fixed Rate of Interest” in such table adjacent to the relevant Interest Accrual Period.

“**Floating Rate of Interest**” means a rate calculated as follows:

$$\text{MIN}\{\text{MAX}[(\text{Leverage} \times \text{Relevant Rate}) + \text{Margin}, \text{Floor}], \text{Cap}\}.$$

“**Floor**” means, in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the relevant Issue Terms, the percentage (which shall be greater than zero) specified under the heading “Floor” in such table adjacent to the relevant Interest Accrual Period. If Floor is specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Floor shall be zero for such Interest Accrual Period.

“**Leverage**” means, in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the relevant Issue Terms, the value or percentage specified under the heading “Leverage” in such table adjacent to the relevant Interest Accrual Period. If Leverage is specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Leverage shall be 100 per cent. or 1 (as the context may require) for such Interest Accrual Period.

“**Margin**” means, in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the “Floating Rate Provisions” section of the relevant Issue Terms, the percentage (whether positive or negative) specified under the heading “Margin” in such table adjacent to the relevant Interest Accrual Period. If Margin is specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Margin shall be zero for such Interest Accrual Period.

“**MAX**” followed by a series of amounts inside brackets, means whichever is the greater of the amounts separated by a comma inside those brackets.

“**MIN**” followed by a series of amounts inside brackets, means whichever is the lesser of the amounts separated by a comma inside those brackets.

“**Relevant Rate**” means the ISDA Rate, Screen Rate, CMS Rate or Variable Rate specified as such under the section “Relevant Rate” in the relevant Issue Terms and determined as if such rate were a “Underlying Rate” in accordance with the provisions of Rate Linked Asset Condition 1.1 (*Determination of the Underlying Rate*).

## 5.2 Rate of Interest

The Rate of Interest applicable to the Notes from time to time shall be:

- (i) for each Interest Accrual Period to which the Floating to Fixed Coupon Payout Conditions apply (as specified in the relevant Issue Terms) ending prior to the relevant Coupon Flip Date, the Floating Rate of Interest in respect of such Interest Accrual Period; or
- (ii) for each Interest Accrual Period to which the Floating to Fixed Coupon Payout Conditions (as specified in the relevant Issue Terms) beginning on or after the relevant Coupon Flip Date, the Fixed Rate of Interest in respect of such Interest Accrual Period.

The Interest Amount shall be calculated in accordance with Base General Condition 5(c) (*Interest on Rate Linked Notes*).

## CPC Chapter 6: Fixed to Floating Switchable Coupon Payout Conditions

*This chapter sets out additional terms and conditions which are only applicable to Notes for which the relevant Final Terms specify “Fixed to Floating Switchable Coupon” to be applicable.*

The following terms and conditions (the “**Fixed to Floating Switchable Coupon Payout Conditions**”) shall apply to the Notes if the relevant Issue Terms indicate that “Fixed to Floating Switchable Coupon” is “Applicable”. These Fixed to Floating Switchable Coupon Payout Conditions are subject to supplement or completion in accordance with the relevant Issue Terms. In the case of any inconsistency between these Fixed to Floating Switchable Coupon Payout Conditions, the relevant Asset Conditions and/or the Base General Conditions, these Fixed to Floating Switchable Coupon Payout Conditions will prevail.

Words and expressions defined or used in the relevant Issue Terms shall have the same meanings where used in these Fixed to Floating Switchable Coupon Payout Conditions unless the context otherwise requires or unless otherwise stated. All capitalised terms that are not defined in these Fixed to Floating Switchable Coupon Payout Conditions or elsewhere in the Base Conditions will have the meanings given to them in the relevant Issue Terms.

Unless otherwise specified, references in these Fixed to Floating Switchable Coupon Payout Conditions to a Payout Condition are to a section or clause of these Fixed to Floating Switchable Coupon Payout Conditions.

## 6 Fixed to Floating Switchable Coupon

### 6.1 Definitions

For the purposes of these Fixed to Floating Switchable Coupon Payout Conditions, the following terms shall have the following meanings:

“**Cap**” means, in respect of any Interest Accrual Period, the fixed rate, ISDA Rate, Screen Rate, CMS Rate or Variable Rate specified in the Issue Terms (or percentage thereof specified in the Issue Terms) and determined as if such rate were an “Underlying Rate” in accordance with the provisions of Rate Linked Asset Condition 1.1 (*Determination of the Underlying Rate*). If Cap is specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Cap shall be infinity for such Interest Accrual Period.

“**Coupon Switch Date**” means each date specified as such in the relevant Issue Terms.

“**Fixed Rate of Interest**” means, in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the “Fixed Rate Provisions” section of the relevant Issue Terms, the rate specified under the heading “Fixed Rate of Interest” in such table adjacent to the relevant Interest Accrual Period.

“**Floating Rate of Interest**” means a rate calculated as follows:

$$\text{MIN}\{\text{MAX}[(\text{Leverage} \times \text{Relevant Rate}) + \text{Margin}, \text{Floor}], \text{Cap}\}.$$

“**Floor**” means, in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the relevant Issue Terms, the percentage (which shall be greater than zero) specified under the heading “Floor” in such table adjacent to the relevant Interest Accrual Period. If Floor is specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Floor shall be zero for such Interest Accrual Period.

“**Issuer Switch Option**” has the meaning given to it in Fixed to Floating Switchable Coupon Payout Condition 6.3 (*Issuer Switch Option*).

“**Leverage**” means, in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the relevant Issue Terms, the value or percentage specified under the

heading “Leverage” in such table adjacent to the relevant Interest Accrual Period. If Leverage is specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Leverage shall be 100 per cent. or 1 (as the context may require) for such Interest Accrual Period.

“**Margin**” means, in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the relevant Issue Terms, the percentage (whether positive or negative) specified under the heading “Margin” in such table adjacent to the relevant Interest Accrual Period. If Margin is specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Margin shall be zero for such Interest Accrual Period.

“**MAX**” followed by a series of amounts inside brackets, means whichever is the greater of the amounts separated by a comma inside those brackets.

“**MIN**” followed by a series of amounts inside brackets, means whichever is the lesser of the amounts separated by a comma inside those brackets.

“**Minimum Notice Period**” means the period specified as such in the relevant Issue Terms.

“**Relevant Rate**” means the ISDA Rate, Screen Rate, CMS Rate or Variable Rate specified as such under the section “Relevant Rate” in the relevant Issue Terms and determined as if such rate were a “Underlying Rate” in accordance with the provisions of Rate Linked Asset Condition 1.1 (*Determination of the Underlying Rate*).

## 6.2 Rate of Interest

The Rate of Interest applicable to the Notes from time to time shall be:

- (i) if the Issuer has exercised the Issuer Switch Option:
  - (a) for each Interest Accrual Period to which the Fixed to Floating Switchable Coupon Payout Conditions apply (as specified in the relevant Issue Terms) ending prior to the relevant Coupon Switch Date, the Fixed Rate of Interest in respect of such Interest Accrual Period; or
  - (b) for each Interest Accrual Period to which the Fixed to Floating Switchable Coupon Payout Conditions apply (as specified in the relevant Issue Terms) beginning on or after the relevant Coupon Switch Date, the Floating Rate of Interest in respect of such Interest Accrual Period; or
- (ii) if the Issuer has not exercised the Issuer Switch Option, the Fixed Rate of Interest.

The Interest Amount shall be calculated in accordance with Base General Condition 5(c) (*Interest on Rate Linked Notes*).

## 6.3 Issuer Switch Option

The Issuer has the option (the “**Issuer Switch Option**”) to change the Rate of Interest from the Fixed Rate of Interest to the Floating Rate of Interest on any Coupon Switch Date by giving notice to the Noteholders in accordance with Base General Condition 16 (*Notices*), provided that such notice is given prior to the commencement of the Minimum Notice Period immediately preceding such Coupon Switch Date. If the Issuer Switch Option is exercised, the Floating Rate of Interest shall be payable from and including the relevant Coupon Switch Date to but excluding the last Interest Payment Date and the Fixed Rate of Interest shall cease to be payable from and including the relevant Coupon Switch Date. For the avoidance of doubt, the Issuer Switch Option may only be exercised once.

## CPC Chapter 7: Floating to Fixed Switchable Coupon Payout Conditions

*This chapter sets out additional terms and conditions which are only applicable to Notes for which the relevant Final Terms specify “Floating to Fixed Switchable Coupon” to be applicable.*

The following terms and conditions (the “**Floating to Fixed Switchable Coupon Payout Conditions**”) shall apply to the Notes if the relevant Issue Terms indicate that “Floating to Fixed Switchable Coupon” is “Applicable”. These Floating to Fixed Switchable Coupon Payout Conditions are subject to supplement or completion in accordance with the relevant Issue Terms. In the case of any inconsistency between these Floating to Fixed Switchable Coupon Payout Conditions, the relevant Asset Conditions and/or the Base General Conditions, these Floating to Fixed Switchable Coupon Payout Conditions will prevail.

Words and expressions defined or used in the relevant Issue Terms shall have the same meanings where used in these Floating to Fixed Switchable Coupon Payout Conditions unless the context otherwise requires or unless otherwise stated. All capitalised terms that are not defined in these Floating to Fixed Switchable Coupon Payout Conditions or elsewhere in the Base Conditions will have the meanings given to them in the relevant Issue Terms.

Unless otherwise specified, references in these Floating to Fixed Switchable Coupon Payout Conditions to a Payout Condition are to a section or clause of these Floating to Fixed Switchable Coupon Payout Conditions.

## 7 Floating to Fixed Switchable Coupon

### 7.1 Definitions

For the purposes of these Floating to Fixed Switchable Coupon Payout Conditions, the following terms shall have the following meanings:

“**Issuer Switch Option**” has the meaning given to it in Floating to Fixed Switchable Coupon Payout Condition 7.3 (*Issuer Switch Option*).

“**Cap**” means, in respect of any Interest Accrual Period, the fixed rate, ISDA Rate, Screen Rate, CMS Rate or Variable Rate specified in the Issue Terms (or percentage thereof specified in the Issue Terms) and determined as if such rate were an “Underlying Rate” in accordance with the provisions of Rate Linked Asset Condition 1.1 (*Determination of the Underlying Rate*). If Cap is specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Cap shall be infinity for such Interest Accrual Period.

“**Coupon Switch Date**” means each date specified as such in the relevant Issue Terms.

“**Fixed Rate of Interest**” means, in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the relevant Issue Terms, the rate specified under the heading “Fixed Rate of Interest” in such table adjacent to the relevant Interest Accrual Period.

“**Floating Rate of Interest**” means a rate calculated as follows:

$$\text{MIN}\{\text{MAX}[(\text{Leverage} \times \text{Relevant Rate}) + \text{Margin}, \text{Floor}], \text{Cap}\}$$

“**Floor**” means, in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the relevant Issue Terms, the percentage (which shall be greater than zero) specified under the heading “Floor” in such table adjacent to the relevant Interest Accrual Period. If Floor is specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Floor shall be zero for such Interest Accrual Period.

“**Leverage**” means, in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the relevant Issue Terms, the value or percentage specified under the heading “Leverage” in such table adjacent to the relevant Interest Accrual Period. If Leverage is



specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Leverage shall be 100 per cent. or 1 (as the context may require) for such Interest Accrual Period.

“**Margin**” means, in respect of any Interest Accrual Period specified under the heading “Interest Accrual Period” in the table in the relevant Issue Terms, the percentage (whether positive or negative) specified under the heading “Margin” in such table adjacent to the relevant Interest Accrual Period. If Margin is specified to be not applicable in the relevant Issue Terms in respect of any Interest Accrual Period, the Margin shall be zero for such Interest Accrual Period.

“**MAX**” followed by a series of amounts inside brackets, means whichever is the greater of the amounts separated by a comma inside those brackets.

“**MIN**” followed by a series of amounts inside brackets, means whichever is the lesser of the amounts separated by a comma inside those brackets.

“**Minimum Notice Period**” means the period specified as such in the relevant Issue Terms.

“**Relevant Rate**” means the ISDA Rate, Screen Rate, CMS Rate or Variable Rate specified as such under the section “Relevant Rate” in the relevant Issue Terms and determined as if such rate were a “Underlying Rate” in accordance with the provisions of Rate Linked Asset Condition 1.1 (*Determination of the Underlying Rate*).

## 7.2 Rate of Interest

The Rate of Interest applicable to the Notes from time to time shall be:

- (i) if the Issuer has exercised the Issuer Switch Option:
  - (a) for each Interest Accrual Period to which the Floating to Fixed Switchable Coupon Payout Conditions apply (as specified in the relevant Issue Terms) ending prior to the relevant Coupon Switch Date, the Floating Rate of Interest in respect of such Interest Accrual Period; or
  - (b) for each Interest Accrual Period to which the Floating to Fixed Switchable Coupon Payout Conditions apply (as specified in the relevant Issue Terms) beginning on or after the relevant Coupon Switch Date, the Fixed Rate of Interest in respect of such Interest Accrual Period.
- (ii) if the Issuer has not exercised the Issuer Switch Option, the Floating Rate of Interest.

The Interest Amount shall be calculated in accordance with Base General Condition 5(c) (*Interest on Rate Linked Notes*).

## 7.3 Issuer Switch Option

The Issuer has the option (the “**Issuer Switch Option**”) to change the Rate of Interest from the Floating Rate of Interest to the Fixed Rate of Interest on any Coupon Switch Date by giving notice to the Noteholders in accordance with Base General Condition 16 (*Notices*), provided that such notice is given prior to the commencement of the Minimum Notice Period immediately preceding such Coupon Switch Date. If the Issuer Switch Option is exercised, the Fixed Rate of Interest shall be payable from and including the relevant Coupon Switch Date to but excluding the last Interest Payment Date and the Floating Rate of Interest shall cease to be payable from and including the relevant Coupon Switch Date. For the avoidance of doubt, the Issuer Switch Option may only be exercised once.

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

*This section provides a summary of the provisions relating to Notes whilst in Global Form.*

Unless otherwise specified in the relevant Final Terms, on the date of issue of the relevant Notes, Notes will be represented by a global note deposited with a common depository on behalf of Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”) and Euroclear Bank SA/NV (“**Euroclear**”) and the Conditions shall be construed accordingly. The Issuers may issue Notes which are clearable through clearing systems other than or in addition to Clearstream, Luxembourg and Euroclear as set out in the relevant Final Terms.

If the Global Notes are stated in the relevant Final Terms to be issued in new global note (“**NGN**”) form, the Global Notes will be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the “**Common Safekeeper**”) for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system. If a Global Note Certificate is held under the new safekeeping structure (the “**NSS**”), the Global Note Certificate will be delivered on or prior to the original issue date of the relevant Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system. Global Notes which are not issued in NGN form and Global Note Certificates which are not held under the NSS will be deposited on the issue date of the relevant Tranche with a common depository on behalf of Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system. Notes in registered form (“**Registered Notes**”) will be represented by registered note certificates (each a “**Note Certificate**”).

Each Tranche (as defined herein) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a “**temporary Global Note**”) or a permanent global note in bearer form (each a “**permanent Global Note**”) and, together with the temporary Global Notes, the “**Global Notes**”) and each Tranche of Notes in registered form will be replaced on issue by a global note certificate in registered form (each a “**Global Note Certificate**”).

### 1 Initial Issue of Notes

If the Global Notes or the Global Note Certificates are stated in the relevant Final Terms to be issued in NGN form or to be held under the NSS (as the case may be), (i) the Global Notes or the Global Note Certificates will be delivered on or prior to the original issue date of the Tranche to a Common Safekeeper and (ii) the relevant clearing systems will be notified whether or not such Global Notes or the Global Note Certificates are intended to be held in a manner which would allow Eurosystem eligibility. Depositing the Global Notes or the Global Note Certificates with the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Global Notes which are issued in CGN form and Global Note Certificates which are not held under the NSS may be delivered on or prior to the original issue date of the Tranche to a Common Depository (as defined below).

Global Notes and Global Note Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depository.

Upon the initial deposit of a Global Note in CGN form with a common depository for Euroclear and Clearstream, Luxembourg (the “**Common Depository**”) or registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relative Global Note Certificate to the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the Global Note is an NGN, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the Global Note and a statement issued by such

clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

Notes that are initially deposited with the Common Depository or the Common Safekeeper, as the case may be, may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

## 2 Relationship of Accountholders with Clearing Systems

Subject to the paragraph below, each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (“**Alternative Clearing System**”) as the holder of a Note represented by a Global Note or a Global Note Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the relevant Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Note Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the relevant Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Note Certificate and such obligations of the relevant Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

## 3 Exchange

### 3.1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined in paragraph 3.6 (*Exchange Date*) below):

- (i) if the relevant Final Terms indicates that such temporary Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “*Selling Restrictions*”), in whole, but not in part, for the Definitive Notes, as defined and described below<sup>1</sup>; and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

Each temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Asset Conditions in addition to any permanent Global Note or Definitive Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

### 3.2 Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 (*Partial Exchange of Permanent Global Notes*) below, in part for Definitive Notes or, in the case of paragraph 3.3 (*Global Note Certificates*) below, Registered Notes:

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<sup>1</sup> In relation to any issue of Notes which are expressed to be Temporary Global Notes exchangeable for Definitive Notes in accordance with paragraph 3.6 (*Exchange Date*), such Notes shall be tradable only in amounts of at least the Specified Denomination (or if more than one Specified Denomination, the minimum Specified Denomination provided herein and multiples thereof).

- (i) by the relevant Issuer giving notice to the Noteholders, the Fiscal Agent of its intention to effect such exchange (unless principal in respect of any Notes has not been paid when due);<sup>2</sup>
- (ii) if the relevant Final Terms provides that the permanent Global Note is exchangeable at the request of the holder, by the holder (acting on the instructions of the person(s) with beneficial interest(s) in such permanent Global Note) giving notice to the Fiscal Agent of its election for such exchange;<sup>3</sup>
- (iii) if the permanent Global Note is an Exchangeable Bearer Note, by the holder (acting on the instructions of the person(s) with beneficial interest(s) in such permanent Global Note) giving notice to the Fiscal Agent of its election to exchange the whole or a part of such permanent Global Note for Registered Notes; and
- (iv) otherwise (a) upon the happening of any of the events set out under Base General Condition 11 (*Events of Default and Enforcement*) or (b) if Euroclear or Clearstream, Luxembourg or an Alternative Clearing System is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearance system satisfactory to the Fiscal Agent is available.

### 3.3 Global Note Certificates

If the relevant Final Terms state that the Notes are to be represented by a Global Note Certificate on issue, transfers of the holding of Notes represented by any Global Note Certificate pursuant to Base General Condition 3(b) (*Transfer of Registered Notes*) may only be made in part:

- (i) upon the happening of any of the events set out under Base General Condition 11 (*Events of Default and Enforcement*);
- (ii) if such Notes are held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (iii) with the consent of the relevant Issuer,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph (i) or (ii) above, the relevant Holder has given the Registrar not less than 30 days' notice at its specified office of such Holder's intention to effect such transfer.

### 3.4 Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions (i) for Registered Notes if the permanent Global Note is an Exchangeable Bearer Note and the part submitted for exchange is to be exchanged for Registered Notes, or (ii) for Definitive Notes, if principal in respect of any Notes is not paid when due.

A Noteholder who holds a nominal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a nominal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

### 3.5 Delivery of Notes

If the Global Note is a CGN, on or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the

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<sup>2</sup> Not applicable to Notes with a minimum Specified Denomination plus a higher integral multiple of a smaller amount.

<sup>3</sup> Not applicable to Notes with a minimum Specified Denomination plus a higher integral multiple of a smaller amount.

order of the relevant Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the relevant Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Note Certificates, as the case may be or (iii) if the Global Note is an NGN, the relevant Issuer will procure that details of such exchange be entered *pro rata* in the records of the relevant clearing system. In this Prospectus, “**Definitive Notes**” means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them, if applicable, all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and, if applicable, a Talon). Definitive Notes will be security printed and Note Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the relevant Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

### **3.6 Exchange Date**

“**Exchange Date**” means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the relevant Fiscal Agent is located and in the city in which the relevant clearing system is located.

## **4 Settlement**

### **4.1 Settlement**

Payments to persons shown in the records of Clearstream, Luxembourg or Euroclear, as the case may be, as the holder of a particular amount of the Notes shall be made in accordance with the rules of Clearstream, Luxembourg or Euroclear, as the case may be.

### **4.2 General**

All references in the Base General Conditions to Luxembourg or Brussels time shall, where Notes are cleared through an additional or alternative clearing system, be deemed to refer as appropriate to the time in the city where the relevant clearing system is located.

### **4.3 Redemption Risk**

None of the Issuers and the Paying Agents shall under any circumstances be liable for any acts or defaults of any of the Common Depositary, Clearstream, Luxembourg, or Euroclear in relation to the performance of its duties in relation to the Notes.

The relevant Issuer will be discharged by payment to, or to the order of, the Common Depositary or Clearstream, Luxembourg or Euroclear, as the case may be, in respect of the amount so paid. Each of the persons shown in the records of Clearstream, Luxembourg or Euroclear, as the case may be, as the holder of a particular amount of the Notes must look solely to Clearstream, Luxembourg or Euroclear, as the case may be, for his share of each such payment so made to, or to the order of, Clearstream, Luxembourg or Euroclear, as the case may be.

## 5 Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Note Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Prospectus. The following is a summary of certain of those provisions:

### 5.1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership. All payments in respect of Notes represented by a Global Note in CGN form will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. If the Global Note is a CGN, a record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Base General Condition 8(d) (*Appointment of Agents*) and Base General Condition 9(a) (*Taxation*) will apply to Definitive Notes only. If the Global Note is an NGN, or if the Global Note Certificate is held under the NSS, the relevant Issuer shall procure that details of each such payment shall be entered *pro rata* in the records of the relevant clearing system and, in the case of payments of principal, the nominal amount of the Notes recorded in the records of the relevant clearing system and represented by the Global Note or the Global Note Certificate will be reduced accordingly. Payments under an NGN will be made to its holder. Each payment so made will discharge the relevant Issuer's obligations in respect thereof. Any failure to make the entries in the records of the relevant clearing system shall not affect such discharge. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "Business Day" set out in Base General Condition 5(k)(ii) (*Non-Business Days*).

All payments in respect of Notes represented by a Global Note Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January.

Payments of interest (if any) in respect of Notes represented by a Global Note or a Global Certificate shall be made at the rates, on the dates for payment and in accordance with the methods of calculation provided for in the Conditions relating to such Notes.

### 5.2 Prescription

A claim against the relevant Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 12 years (in the case of principal) and six years (in the case of interest) of the appropriate Relevant Date (as defined in Base General Condition 9(a) (*Taxation*)).

### 5.3 Cancellation

Cancellation of any Note represented by a Global Note that is required by the Asset Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Global Note.

### 5.4 Purchase

Notes represented by a permanent Global Note may only be purchased by the relevant Issuer, or any of its subsidiaries or any holding company of such Issuer or any other subsidiary of any such holding

company, if they are purchased together with the right to receive all future payments of interest and Instalment Amounts (if any) thereon.

#### **5.5 Issuer's Option**

Any option of the relevant Issuer provided for in the Base General Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the relevant Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Base General Conditions, except that the notice shall not be required to contain the certificate numbers of Notes drawn in the case of a partial exercise of an option and, accordingly, no drawing of Notes shall be required. In the event that any option of the relevant Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders in respect of the Notes will be governed by the standard procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) or any other Alternative Clearing System (as the case may be).

#### **5.6 Noteholders' Options**

Any option of the Noteholders provided for in the Asset Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the relevant Fiscal Agent (electronically or otherwise) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Asset Conditions substantially in the form of, or containing substantially similar information as contained in, the notice available from any Paying Agent, except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and, at the same time, where the permanent Global Note is a CGN, presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation. Where the Global Note is an NGN, or where the Global Note Certificate is held under the NSS, the relevant Issuer shall procure that details of such exercise shall be entered *pro rata* in the records of the relevant clearing system and the nominal amount of the Notes recorded in those records will be reduced accordingly.

#### **5.7 NGN Nominal Amount**

Where the Global Note is an NGN, the relevant Issuer shall procure that any exchange, payment, cancellation, exercise of any option or any right under the Notes, as the case may be, in addition to the circumstances set out above shall be entered in the records of the relevant clearing systems and upon any such entry being made, in respect of payments of principal, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.

#### **5.8 Events of Default**

Each Global Note and each Global Note Certificate provides that the holder may cause Notes represented by such Global Note to become due and repayable in the circumstances described in Base General Condition 11 (*Events of Default and Enforcement*) by stating in the notice to the Fiscal Agent the nominal amount of such Notes that are becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by a Global Note Certificate may elect for direct enforcement rights against the relevant Issuer under the terms of a Deed of Covenant executed as a deed by the relevant Issuer on 24 April 2015 to come into effect in relation to the Notes represented by such Global Note or one or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Note Certificate and the corresponding entry in the register kept by the Registrar will become void as relevant Notes. However, no such election may be made in respect of Notes represented by a Global Note Certificate unless the transfer of the whole or a part of the holding of Notes represented by that Global Note Certificate shall have been improperly withheld or refused.

**5.9 Notices**

So long as any Notes are represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to the relevant accountholders in substitution for publication as required by the Base General Conditions or by delivery of the relevant notice to the holder of the Global Note. Any such notice shall be deemed to have been given to the holders of the Notes on the second Business Day after such notice is delivered to that clearing system for communication by it to the holders.



**FORM OF FINAL TERMS OF THE NOTES WITH A DENOMINATION OF AT LEAST  
€100,000 (OR EQUIVALENT)**

*This section sets out the form of final terms.*

**RELEVANT FINAL TERMS FOR ISSUES BY THE ISSUER  
OF NOTES WITH A DENOMINATION OF AT LEAST €100,000 (OR EQUIVALENT) TO  
BE ADMITTED TO TRADING ON AN EEA REGULATED MARKET (CGN AND NGN)**

Final Terms dated [●]

[Lloyds Bank plc]

[Lloyds Banking Group plc]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the [Rates and] Credit Linked Note Programme

**PART A — CONTRACTUAL TERMS**

These Final Terms constitute Issue Terms for the purposes of the Base General Conditions. Terms used herein shall be deemed to be defined as such for the purposes of the [Base Conditions set forth in the Prospectus dated 17 May 2016]/[Base Conditions set forth in the Prospectus dated 24 April 2015 as incorporated by reference in the Prospectus dated 17 May 2016] [and the supplemental prospectus dated [*date*] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. This document constitutes the final terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. The Prospectus [and the supplemental prospectus] [is] [are] available for viewing at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html) and copies may be obtained from [Lloyds Bank plc, 25 Gresham Street, London EC2V 7HN][Lloyds Banking Group plc, The Mound, Edinburgh EH1 1YZ].

The expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

- |   |                                 |   |
|---|---------------------------------|---|
| 1 | Issuer:                         | [Lloyds Bank plc][Lloyds Banking Group plc]   |
| 2 | [(i)] Series Number:            | [●]   |
|   | (ii) [Tranche Number:]          | [●]   |
| 3 | <b>Specified Currency</b>       | [●]   |
| 4 | <b>Aggregate Nominal Amount</b> | [●]   |
|   | (i) [Series:]                   | [●]   |
|   | (ii) [Tranche:]                 | [●]   |
| 5 | <b>Issue Price</b>              | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]]  |
| 6 | (i) Specified Denominations:    | [●] [and each integral multiple of the Calculation Amount in excess thereof up to and including [●]. No Notes in definitive |

		form will be issued with a denomination above [●]
	(ii) Calculation Amount:	[●]
7	(i) Issue Date:	[●]
	(ii) Trade Date:	[●][Not Applicable]
8	<b>[Scheduled] Maturity Date</b>	[●]
9	<b>Business Day Convention</b>	[Floating Rate Business Day Convention][Following Business Day Convention (Adjusted)][Following Business Day Convention (Unadjusted)][Modified Following Business Day Convention (Adjusted)][Modified Following Business Day Convention (Unadjusted)][Preceding Business Day Convention (Adjusted)][Preceding Business Day Convention (Unadjusted)][Not Applicable]
10	<b>Business Centre(s)</b>	[●]
11	<b>Calculation Agent</b>	[●]
<b>PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE</b>		
12	<b>Fixed Rate Note Provisions</b>	[Applicable][Not Applicable]
	(i) Interest Commencement Date:	[●]
	(ii) Interest Period Date(s):	[●]
	(iii) Interest Payment Date(s):	[●] in each year [from and including [●] [to [but excluding][and including] [●]]]
	(iv) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually][semi-annually][quarterly][monthly] in arrear]
	(v) Fixed Coupon Amount[(s)]:	[[●] per Calculation Amount][Not Applicable]
	(vi) Broken Amount(s):	[[●] per Calculation Amount, payable on the Interest Payment Date falling [in][on] [●]][Not Applicable]
	(vii) Day Count Fraction:	[Actual/Actual][Actual/Actual – ISDA][Actual/365 (Fixed)][Actual/360][30/360][360/360][Bond Basis][30E/360][Eurobond Basis][30E/360 (ISDA)][Actual/Actual ICMA: Determination Date(s): [●] in each year][Not Applicable]
	(viii) Business Day Convention:	[Floating Rate Business Day Convention][Following Business Day Convention (Adjusted)][Following Business Day Convention (Unadjusted)][Modified Following Business Day Convention (Adjusted)][Modified Following Business Day Convention (Unadjusted)][Preceding Business Day Convention (Adjusted)][Preceding Business Day Convention (Unadjusted)][Not Applicable]
13	<b>Floating Rate Note Provisions</b>	[Applicable][Not Applicable]
	(i) Interest Commencement Date:	[●]
	(ii) Interest Period Date(s):	[●]
	(iii) Interest Payment Dates:	[●] in each year [from and including [●] [to [but excluding][and including] [●]]]

- (iv) Business Day Convention: [Floating Rate Business Day Convention][Following Business Day Convention (Adjusted)][Following Business Day Convention (Unadjusted)][Modified Following Business Day Convention (Adjusted)][Modified Following Business Day Convention (Unadjusted)][Preceding Business Day Convention (Adjusted)][Preceding Business Day Convention (Unadjusted)][Not Applicable]
- (v) Party responsible for calculating the interest due (if not the Calculation Agent): [●]
- (vi) Screen Rate Determination: [Applicable][Not Applicable]
- Reference Rate: [●] [month] [GBP LIBOR][EURIBOR][HIBOR][STIBOR][SIBOR][TIBOR][CDOR][BBSW][USD LIBOR][CHF LIBOR][JPY LIBOR][EONIA][SONIA][NIBOR]
- Interest Determination Date(s): [●]
- Relevant Screen Page: [●]
- (vii) ISDA Determination: [Applicable][Not Applicable]
- Floating Rate Option: [●]
- Designated Maturity: [●]
- Reset Date: [●]
- (viii) CMS Rate Determination: [Applicable][Not Applicable]
- CMS Currency: [●]
- CMS Designated Maturity: [●]
- CMS Screen Page: [●]
- CMS Reference Time: [●] [a.m.][p.m.] ([●] time)
- CMS Determination Date: [●][The first day of the Interest Accrual Period]
- CMS Business Centre(s): [●]
- CMS Reference Banks Number: [●]
- CMS Relevant Interbank Market: [●]
- (ix) Linear Interpolation: [Not Applicable][Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
- (x) Margin(s): [+/-][●] per cent. per annum
- (xi) Minimum Rate of Interest: [●] per cent. per annum
- (xii) Maximum Rate of Interest: [●] per cent. per annum
- (xiii) Day Count Fraction: [Actual/Actual][Actual/Actual – ISDA][Actual/365 (Fixed)][Actual/360][30/360][360/360][Bond Basis][30E/360][Eurobond Basis][30E/360 (ISDA)][Actual/Actual ICMA: Determination Date(s): [●] in

- each year][Not Applicable]
- 14 **Zero Coupon Note Provisions** [Applicable][Not Applicable]
- (i) Amortisation Yield: [●] per cent. per annum
- (ii) Amortisation Yield [Compounded][Non-compounded]  
compounding basis [annually][semi-annually][other]
- (iii) Day Count Fraction: [Actual/Actual][Actual/Actual – ISDA][Actual/365  
(Fixed)][Actual/360][30/360][360/360][Bond  
Basis][30E/360][Eurobond Basis][30E/360  
(ISDA)][Actual/Actual ICMA: Determination Date(s): [●] in  
each year][Not Applicable]
- 15 **Rate Linked Provisions** [Applicable][Not Applicable]
- [1][2]]
- [Applicable][Not Applicable]
- [●]]
- (i) Underlying Rate(s):
- (a) Underlying Rate [1]:
- (I) Underlying Rate: [●]
- (II) Weight: [●][Equal Weight]
- (III) Underlying Rate [●]  
Jurisdiction:
- (IV) ISDA Determination: [Applicable][Not Applicable]
- Floating Rate Option: [●]
- Designated Maturity: [●]
- Reset Date: [●]
- (V) Screen Rate [Applicable][Not Applicable]  
Determination:
- Reference Rate: [●][month][GBP LIBOR][EURIBOR][HIBOR]  
[STIBOR][SIBOR][TIBOR][CDOR][BBSW][USD  
LIBOR][CHF LIBOR][JPY LIBOR][EONIA] [SONIA][NIBOR]
- Relevant Screen [●]  
Page:
- (VI) CMS Rate [Applicable][Not Applicable]  
Determination:
- CMS Currency: [●]
- CMS Designated [●]  
Maturity:
- CMS Screen Page: [●]
- CMS Reference [●] [a.m.][p.m.] ([●] time)  
Time:
- CMS Determination [●]  
Date:
- CMS Business [●]  
Centre(s):

- CMS Reference [●]  
Banks Number:
- CMS Relevant [●]  
Interbank Market:  
[Applicable][Not Applicable]
- Underlying Rate<sub>1</sub>:
- (A) ISDA [Applicable][Not Applicable]  
Determination:  
- Floating Rate [●]  
Option:  
- Designated [●]  
Maturity:  
- Reset Date: [●]
- (B) Screen Rate [Applicable][Not Applicable]  
Determination:  
- Reference Rate: [●][month][GBP LIBOR][EURIBOR][HIBOR]  
[STIBOR][SIBOR][TIBOR][CDOR][BBSW]  
[USD LIBOR][CHF LIBOR][JPY LIBOR][EONIA]  
[SONIA][NIBOR]  
- Relevant Screen [●]  
Page:
- (C) CMS Rate [Applicable][Not Applicable]  
Determination:  
- CMS Currency: [●]  
- CMS [●]  
Designated  
Maturity:  
- CMS Screen [●]  
Page:  
- CMS Reference [●] [a.m.][p.m.] ([●] time)  
Time:  
- CMS [●]  
Determination  
Date:  
- CMS Business [●]  
Centre(s):  
- CMS Reference [●]  
Banks Number:  
- CMS Relevant [●]  
Interbank  
Market:
- Underlying Rate<sub>2</sub>:
- (A) ISDA [Applicable][Not Applicable]  
Determination:

- Floating Rate Option:
- Designated Maturity:
- Reset Date:
- (B) Screen Rate Determination:  [Applicable]  [Not Applicable]
  - Reference Rate:  [month]  [GBP LIBOR]  [EURIBOR]  [HIBOR]  [STIBOR]  [SIBOR]  [TIBOR]  [CDOR]  [BBSW]  [USD LIBOR]  [CHF LIBOR]  [JPY LIBOR]  [EONIA]  [SONIA]  [NIBOR]
  - Relevant Screen Page:
- (C) CMS Rate Determination:  [Applicable]  [Not Applicable]
  - CMS Currency:
  - CMS Designated Maturity:
  - CMS Screen Page:
  - CMS Reference Time:  [a.m.]  [p.m.] ( time)
  - CMS Determination Date:
  - CMS Business Centre(s):
  - CMS Reference Banks Number:
  - CMS Relevant Interbank Market:
- (b)  [Underlying Rate ]:
  - (I) Underlying Rate:
  - (II) Weight:  [Equal Weight]
  - (III) Underlying Rate Jurisdiction:
  - (IV) ISDA Determination:  [Applicable]  [Not Applicable]
    - Floating Rate Option:
    - Designated Maturity:
    - Reset Date:
  - (V) Screen Rate  [Applicable]  [Not Applicable]

	Determination:		
	- Reference Rate:	[•][month][GBP LIBOR][EURIBOR][HIBOR] [STIBOR][SIBOR][TIBOR][CDOR][BBSW][USD LIBOR][CHF LIBOR][JPY LIBOR][EONIA] [SONIA][NIBOR]	
	- Relevant Screen Page:	[•]	
(VI)	CMS Rate	[Applicable][Not Applicable]	
	Determination:		
	- CMS Currency:	[•]	
	- CMS Designated Maturity:	[•]	
	- CMS Screen Page:	[•]	
	- CMS Reference Time:	[•] [a.m.][p.m.]( [•] time)	
	- CMS Determination Date:	[•]	
	- CMS Business Centre(s):	[•]	
	- CMS Reference Banks Number:	[•]	
	- CMS Relevant Interbank Market:	[•]	
		[Weighted Average][Best-Of][Worst-Of][Not Applicable]	
(ii)	Initial Setting Date:	[•][Not Applicable]	
(iii)	Initial Averaging Dates:	[[•], [•], [•], [•]][Not Applicable]	
(iv)	Valuation Dates/Averaging Dates:	Valuation Dates:                      Averaging Dates:	
		[•][Not Applicable]                      [[•], [•], [•], [•]][Not Applicable]	
		[•][Not Applicable]                      [[•], [•], [•], [•]][Not Applicable]	
		[•][Not Applicable]                      [[•], [•], [•], [•]][Not Applicable]	
(v)	Observation Dates:	[As stated in Rate Linked Asset Condition 1.2 ( <i>Definitions</i> )] [In addition to the dates in Rate Linked Asset Condition 1.2 ( <i>Definitions</i> )] [Not Applicable]	
(vi)	Valuation Time:	[•][As stated in Rate Linked Asset Condition 1.2 ( <i>Definitions</i> )]	
16	<b>Structured Floating Rate Coupon</b>	[Applicable][Not Applicable]	
(i)	Interest Commencement Date:	[•]	
(ii)	Interest Period Date(s):	[•]	
(iii)	Interest Payment Date(s):	[•]	
(iv)	Business Day Convention:	[Floating Rate Business Day Convention][Following Business Day Convention (Adjusted)][Following Business Day Convention (Unadjusted)][Modified Following Business Day Convention (Adjusted)][Modified Following Business Day Convention	

- (Unadjusted)][Preceding Business Day Convention  
(Adjusted)][Preceding Business Day Convention  
(Unadjusted)][Not Applicable]
- (v) Party responsible for calculating the interest due (if not the Calculation Agent):
- (vi) Relevant Rate:
- (a) ISDA Determination:  [Applicable][Not Applicable]
- Floating Rate Option:
- Designated Maturity:
- Reset Date:
- (b) Screen Rate Determination:  [Applicable][Not Applicable]
- Reference Rate:  [month] [GBP LIBOR][EURIBOR][HIBOR][STIBOR][SIBOR][TIBOR][CDOR][BBSW][USD LIBOR][CHF LIBOR][JPY LIBOR][EONIA][SONIA][NIBOR]
- Valuation Date(s):
- Relevant Screen Page:
- (c) CMS Rate Determination:  [Applicable][Not Applicable]
- CMS Currency:
- CMS Designated Maturity:
- CMS Screen Page:
- CMS Reference Time:  [a.m.][p.m.]( time)
- CMS Determination Date:
- CMS Business Centre(s):
- CMS Reference Banks Number:
- CMS Relevant Interbank Market:
- (vii) Day Count Fraction:  [Actual/Actual][Actual/Actual – ISDA][Actual/365 (Fixed)][Actual/360] [30/360][360/360][Bond Basis][30E/360][Eurobond Basis][30E/360 (ISDA)][Actual/Actual ICMA: Determination Date(s):  in each year][Not Applicable]
- (viii) Leverage:  [Applicable][Not Applicable]
- Interest Accrual Period: Leverage:
- [All Interest Accrual Periods falling in the period [from [and including][but excluding]  to [and including][but excluding]
-



- (ix) Margin: [•] [•]  
 [Applicable][Not Applicable]  
 Interest Accrual Period: Margin:  
 [•][All Interest Accrual [•]  
 Periods falling in the period  
 [from [and including][but  
 excluding] [•] to [and  
 including][but excluding]  
 [•]]  
 [•] [•]  
 [•] [•]
- (x) Cap: [Applicable][Not Applicable]  
 [For all Interest Accrual Periods falling in the period [from [and  
 including][but excluding] [•] to [and including][but excluding]  
 [•]]:  
 [[•] per cent. per annum]  
 [[•] per cent. of] the following rate:  
 (a) ISDA Determination: [Applicable][Not Applicable]  
 - Floating Rate [•]  
 Option:  
 - Designated Maturity: [•]  
 - Reset Date: [•]  
 (b) Screen Rate [Applicable][Not Applicable]  
 Determination:  
 - Reference Rate: [•] [month] [GBP  
 LIBOR][EURIBOR][HIBOR]  
 [STIBOR][SIBOR][TIBOR][CDOR]  
 [BBSW][USD LIBOR][CHF  
 LIBOR][JPY LIBOR]  
 [EONIA][SONIA][NIBOR]  
 - Valuation Date(s): [•]  
 - Relevant Screen [•]  
 Page:  
 (c) CMS Rate [Applicable][Not Applicable]  
 Determination:  
 - CMS Currency: [•]  
 - CMS Designated [•]  
 Maturity:  
 - CMS Screen Page: [•]  
 - CMS Reference [•] [a.m.][p.m.] ([•] time)  
 Time:  
 - CMS Determination [•]  
 Date:

- CMS Business Centre(s): [●]
  - CMS Reference Banks Number: [●]
  - CMS Relevant Interbank Market: [●]
- [For all Interest Accrual Periods falling in the period [from [and including][but excluding] [●] to [and including][but excluding] [●]]:
- [●] [●]
- (xi) Floor: [Applicable][Not Applicable]
- Interest Accrual Period: Floor:
- [●][All Interest Accrual [●]  
Periods falling in the period  
[from [and including][but  
excluding] [●] to [and  
including][but excluding]  
[●]]
- [●] [●]
- [●] [●]
- 17 **Inverse Floating Rate Coupon** [Applicable][Not Applicable]
- (i) Interest Commencement Date: [●]
- (ii) Interest Period Date(s): [●]
- (iii) Interest Payment Date(s): [●]
- (iv) Business Day Convention: [Floating Rate Business Day Convention][Following Business Day Convention (Adjusted)][Following Business Day Convention (Unadjusted)][Modified Following Business Day Convention (Adjusted)][Modified Following Business Day Convention (Unadjusted)][Preceding Business Day Convention (Adjusted)][Preceding Business Day Convention (Unadjusted)][Not Applicable]
- (v) Fixed Rate of Interest: Interest Accrual Period: Fixed Rate of Interest:
- [●][All Interest Accrual [●]  
Periods falling in the period  
[from [and including][but  
excluding] [●] to [and  
including][but excluding]  
[●]]
- [●] [●]
- [●] [●]
- (vi) Party responsible for calculating the interest due (if not the Calculation Agent): [●]

- (vii) Relevant Rate:
- (a) ISDA Determination: [Applicable][Not Applicable]  
 - Floating Rate Option: [•]  
 - Designated Maturity: [•]  
 - Reset Date: [•]
- (b) Screen Rate Determination: [Applicable][Not Applicable]  
 - Reference Rate: [•] [month] [GBP LIBOR][EURIBOR][HIBOR]  
 [STIBOR][SIBOR][TIBOR][CDOR][BBSW]  
 [USD LIBOR][CHF LIBOR][JPY LIBOR]  
 [EONIA][SONIA][NIBOR]  
 - Valuation Date(s): [•]  
 - Relevant Screen Page: [•]
- (c) CMS Rate Determination: [Applicable][Not Applicable]  
 - CMS Currency: [•]  
 - CMS Designated Maturity: [•]  
 - CMS Screen Page: [•]  
 - CMS Reference Time: [•] [a.m.][p.m.] ([•] time)  
 - CMS Determination Date: [•]  
 - CMS Business Centre(s): [•]  
 - CMS Reference Banks  
 Number: [•]  
 - CMS Relevant Interbank  
 Market: [•]
- (viii) Day Count Fraction: [Actual/Actual][Actual/Actual – ISDA][Actual/365  
 (Fixed)][Actual/360][30/360][360/360][Bond  
 Basis][30E/360][Eurobond Basis][30E/360 (ISDA)][Actual/Actual  
 ICMA: Determination Date(s): [•] in each year][Not Applicable]
- (ix) Leverage: [Applicable][Not Applicable]  
 Interest Accrual Period: Leverage:  
 [•][All Interest Accrual [•]  
 Periods falling in the  
 period [from [and  
 including][but excluding]  
 [•] to [and including][but  
 excluding] [•]]  
 [•] [•]  
 [•] [•]
- (x) Cap: [Applicable][Not Applicable]  
 [For all Interest Accrual Periods falling in the period [from [and  
 including][but excluding] [•] to [and including][but excluding]  
 [•]]:  
 [[•] per cent. per annum]  
 [[•] per cent. of] the following rate:

- (a) ISDA Determination: [Applicable][Not Applicable]
  - Floating Rate Option: [•]
  - Designated Maturity: [•]
  - Reset Date: [•]
- (b) Screen Rate Determination: [Applicable][Not Applicable]
  - Reference Rate: [•] [month] [GBP LIBOR][EURIBOR][HIBOR][STIBOR][SIBOR][TIBOR][CDOR][BBSW][USD LIBOR][CHF LIBOR][JPY LIBOR][EONIA][SONIA][NIBOR]
  - Valuation Date(s): [•]
  - Relevant Screen Page: [•]
- (c) CMS Rate Determination: [Applicable][Not Applicable]
  - CMS Currency: [•]
  - CMS Designated Maturity: [•]
  - CMS Screen Page: [•]
  - CMS Reference Time: [•] [a.m.][p.m.] ([•] time)
  - CMS Determination Date: [•]
  - CMS Business Centre(s): [•]
  - CMS Reference Banks Number: [•]
  - CMS Relevant Interbank Market: [•]

[For all Interest Accrual Periods falling in the period [from [and including][but excluding] [•] to [and including][but excluding] [•]]:

[•] [•]

(xi) Floor:

[Applicable][Not Applicable]

Interest Accrual Period: Floor:

[•][All Interest Accrual [•]

Periods falling in the period [from [and including][but excluding] [•] to [and including][but excluding] [•]]

[•] [•]

- [•] [•]
- 18 **Fixed Rate Step-Up/Step-Down Coupon** [Applicable][Not Applicable]
- (i) Rate of Interest: Interest Accrual Period: Rate of Interest:  
 [•][All Interest Accrual [•]  
 Periods falling in the  
 period [from [and  
 including][but excluding]  
 [•] to [and including][but  
 excluding] [•]]  
 [•] [•]  
 [•] [•]
- (ii) Interest Commencement Date: [•]
- (iii) Interest Period Date(s): [•]
- (iv) Interest Payment Date(s): [•]
- (v) [Broken Amount(s)]: [•] per Calculation Amount, payable on the Interest Payment Date falling [in][on] [•]
- (vi) Day Count Fraction: [Actual/Actual][Actual/Actual – ISDA][Actual/365 (Fixed)][Actual/360][30/360][360/360][Bond Basis][30E/360][Eurobond Basis][30E/360 (ISDA)][Actual/Actual ICMA: Determination Date(s): [•] in each year][Not Applicable]
- (vii) Business Day Convention: [Floating Rate Business Day Convention][Following Business Day Convention (Adjusted)][Following Business Day Convention (Unadjusted)][Modified Following Business Day Convention (Adjusted)][Modified Following Business Day Convention (Unadjusted)][Preceding Business Day Convention (Adjusted)][Preceding Business Day Convention (Unadjusted)][Not Applicable]
- 19 **Fixed to Floating Coupon** [Applicable][Not Applicable]
- (i) Interest Commencement Date: [•]
- (ii) Coupon Flip Date: [•]
- Fixed Rate Provisions
- (i) Fixed Rate of Interest: Interest Accrual Period: Fixed Rate of Interest:  
 [•][All Interest Accrual [•]  
 Periods falling in the  
 period [from [and  
 including][but  
 excluding] [•] to [and  
 including][but  
 excluding] [•]]  
 [•] [•]  
 [•] [•]
- (ii) Interest Period Date(s): [•]

- (iii) Interest Payment Date(s):
- (iv) [Fixed Coupon Amount[(s)]:  per Calculation Amount
- (v) [Broken Amount(s)]:  per Calculation Amount, payable on the Interest Payment Date falling [in][on]
- (vi) Day Count Fraction: [Actual/Actual][Actual/Actual – ISDA][Actual/365 (Fixed)]Actual/360][30/360][360/360][Bond Basis][30E/360][Eurobond Basis][30E/360 (ISDA)][Actual/Actual ICMA: Determination Date(s):  in each year][Not Applicable]
- (vii) Business Day Convention: [Floating Rate Business Day Convention][Following Business Day Convention (Adjusted)][Following Business Day Convention (Unadjusted)][Modified Following Business Day Convention (Adjusted)][Modified Following Business Day Convention (Unadjusted)][Preceding Business Day Convention (Adjusted)][Preceding Business Day Convention (Unadjusted)][Not Applicable]

#### Floating Rate Provisions

- (i) Interest Period Date(s):
- (ii) Interest Payment Date(s):
- (iii) Business Day Convention: [Floating Rate Business Day Convention][Following Business Day Convention (Adjusted)][Following Business Day Convention (Unadjusted)][Modified Following Business Day Convention (Adjusted)][Modified Following Business Day Convention (Unadjusted)][Preceding Business Day Convention (Adjusted)][Preceding Business Day Convention (Unadjusted)][Not Applicable]
- (iv) Party responsible for calculating the interest due (if not the Calculation Agent):
- (v) Relevant Rate:
- (a) ISDA Determination: [Applicable][Not Applicable]
- Floating Rate Option:
- Designated Maturity:
- Reset Date:
- (b) Screen Rate Determination: [Applicable][Not Applicable]
- Reference Rate:  [month] [GBP LIBOR][EURIBOR][HIBOR][STIBOR][SIBOR][TIBOR][CDOR][BBSW][USD LIBOR][CHF LIBOR][JPY LIBOR][EONIA][SONIA][NIBOR]
- Valuation Date(s):
- Relevant Screen Page:
- (c) CMS Rate Determination: [Applicable][Not Applicable]
- CMS Currency:
- CMS Designated Maturity:

- CMS Screen Page: [●]
- CMS Reference Time: [●] [a.m.][p.m.] ([●] time)
- CMS Determination Date: [●]
- CMS Business Centre(s): [●]
- CMS Reference Banks Number: [●]
- CMS Relevant Interbank Market: [●]
- (vi) Day Count Fraction: [Actual/Actual][Actual/Actual – ISDA][Actual/365 (Fixed)][Actual/360][30/360][360/360][Bond Basis][30E/360][Eurobond Basis][30E/360 (ISDA)][Actual/Actual ICMA: Determination Date(s): [●] in each year][Not Applicable]
- (vii) Leverage: [Applicable][Not Applicable]
- Interest Accrual Period: Leverage:
- [●][All Interest Accrual [●]  
Periods falling in the  
period [from [and  
including][but  
excluding] [●] to [and  
including][but  
excluding] [●]]
- [●] [●]  
[●] [●]
- (viii) Margin: [Applicable][Not Applicable]
- Interest Accrual Period: Margin:
- [●][All Interest Accrual [●]  
Periods falling in the  
period [from [and  
including][but  
excluding] [●] to [and  
including][but  
excluding] [●]]
- [●] [●]  
[●] [●]
- (ix) Cap: [Applicable][Not Applicable]
- [For all Interest Accrual Periods falling in the period [from [and  
including][but excluding] [●] to [and including][but excluding]  
[●]]:
- [[●] per cent. per annum]
- [[●] per cent. of] the following rate:
- (a) ISDA [Applicable][Not Applicable]  
Determination:
- Floating Rate [●]  
Option:

- Designated Maturity: [•]
- Reset Date: [•]
- (b) Screen Rate Determination: [Applicable][Not Applicable]
- Reference Rate: [•] [month] [GBP LIBOR][EURIBOR][HIBOR][STIBOR][SIBOR][TIBOR][CDOR][BBSW][USD LIBOR][CHF LIBOR][JPY LIBOR] [EONIA][SONIA][NIBOR]
- Valuation Date(s): [•]
- Relevant Screen Page: [•]
- (c) CMS Rate Determination: [Applicable][Not Applicable]
- CMS Currency: [•]
- CMS Designated Maturity: [•]
- CMS Screen Page: [•]
- CMS Reference Time: [•] [a.m.][p.m.] ([•] time)
- CMS Determination Date: [•]
- CMS Business Centre(s): [•]
- CMS Reference Banks Number: [•]
- CMS Relevant Interbank Market: [•]

[For all Interest Accrual Periods falling in the period [from [and including][but excluding] [•] to [and including][but excluding] [•]]:

[•] [•]

(x) Floor:

[Applicable][Not Applicable]

Interest Accrual Period: Floor:

[•][All Interest Accrual [•]

Periods falling in the period [from [and including][but excluding] [•] to [and including][but excluding] [•]]

[•] [•]



- [•] [•]
- 20 **Floating to Fixed Coupon** [Applicable][Not Applicable]
- (i) Interest Commencement Date: [•]
- (ii) Coupon Flip Date: [•]
- Floating Rate Provisions
- (i) Interest Period Date(s): [•]
- (ii) Interest Payment Date(s): [•]
- (iii) Business Day Convention: [Floating Rate Business Day Convention][Following Business Day Convention (Adjusted)][Following Business Day Convention (Unadjusted)][Modified Following Business Day Convention (Adjusted)][Modified Following Business Day Convention (Unadjusted)][Preceding Business Day Convention (Adjusted)][Preceding Business Day Convention (Unadjusted)][Not Applicable]
- (iv) Party responsible for calculating the interest due (if not the Calculation Agent): [•]
- (v) Relevant Rate:
- (a) ISDA Determination: [Applicable][Not Applicable]
- Floating Rate Option: [•]
- Designated Maturity: [•]
- Reset Date: [•]
- (b) Screen Rate Determination: [Applicable][Not Applicable]
- Reference Rate: [•] [month] [GBP LIBOR][EURIBOR][HIBOR][STIBOR][SIBOR][TIBOR][CDOR][BBSW][USD LIBOR][CHF LIBOR][JPY LIBOR][EONIA][SONIA][NIBOR]
- Valuation Date(s): [•]
- Relevant Screen Page: [•]
- (c) CMS Rate Determination: [Applicable][Not Applicable]
- CMS Currency: [•]
- CMS Designated Maturity: [•]
- CMS Screen Page: [•]
- CMS Reference Time: [•] [a.m.][p.m.] ([•] time)
- CMS Determination Date: [•]

- CMS Business Centre(s): [•]

- CMS Reference Banks Number: [•]

- CMS Relevant Interbank Market: [•]

(vi) Day Count Fraction: [Actual/Actual][Actual/Actual – ISDA][Actual/365 (Fixed)][Actual/360][30/360][360/360][Bond Basis][30E/360][Eurobond Basis][30E/360 (ISDA)][Actual/Actual ICMA: Determination Date(s): [•] in each year][Not Applicable]

(vii) Leverage: [Applicable][Not Applicable]

Interest Accrual Period: Leverage: [•][All Interest Accrual [•] Periods falling in the period [from [and including][but excluding] [•] to [and including][but excluding] [•]] [•] [•]

[•] [•]

(viii) Margin: [Applicable][Not Applicable]

Interest Accrual Period: Margin: [•][All Interest Accrual [•] Periods falling in the period [from [and including][but excluding] [•] to [and including][but excluding] [•]] [•] [•]

[•] [•]

[•] [•]

(ix) Cap: [Applicable][Not Applicable]

[For all Interest Accrual Periods falling in the period [from [and including][but excluding] [•] to [and including][but excluding] [•]]:

[[•] per cent. per annum]

[[•] per cent. of] the following rate:

(a) ISDA [Applicable][Not Applicable]

Determination:

- Floating Rate [•]

Option:

- Designated [•]

Maturity:

- Reset Date: [•]
- (b) Screen Rate [Applicable][Not Applicable]  
Determination:
- Reference Rate: [•] [month] [GBP LIBOR]  
[EURIBOR][HIBOR][STIBOR]  
[SIBOR][TIBOR][CDOR]  
[BBSW][USD LIBOR][CHF  
LIBOR][JPYLIBOR][EONIA]  
[SONIA][NIBOR]
- Valuation Date(s): [•]
- Relevant Screen [•]  
Page:
- (c) CMS Rate [Applicable][Not Applicable]  
Determination:
- CMS Currency: [•]
- CMS Designated [•]  
Maturity:
- CMS Screen [•]  
Page:
- CMS Reference [•] [a.m.][p.m.] ([•] time)  
Time:
- CMS [•]  
Determination  
Date:
- CMS Business [•]  
Centre(s):
- CMS Reference [•]  
Banks Number:
- CMS Relevant [•]  
Interbank Market:

[For all Interest Accrual Periods falling in the period [from [and including][but excluding] [•] to [and including][but excluding] [•]]:

[•] [•]

(x) Floor:

[Applicable][Not Applicable]

Interest Accrual Period: Floor:

[•][All Interest Accrual [•]

Periods falling in the  
period [from [and  
including][but  
excluding] [•] to [and  
including][but  
excluding] [•]]

[•] [•]

[•] [•]

Fixed Rate Provisions

- |   |   |
|---|---|
| (i) Fixed Rate of Interest:                       | Interest Accrual Period: Fixed Rate of Interest:  |
|   | [•][All Interest Accrual [•]<br>Periods falling in the<br>period [from [and<br>including][but<br>excluding] [•] to [and<br>including][but<br>excluding] [•]]  |
|   | [•] [•]<br>[•] [•]  |
| (ii) Interest Period Date(s):                     | [•]   |
| (iii) Interest Payment Date(s):                   | [•]   |
| (iv) [Fixed Coupon Amount(s)]:                    | [•] per Calculation Amount  |
| (v) [Broken Amount(s)]:                           | [•] per Calculation Amount, payable on the Interest Payment Date<br>falling [in][on] [•]  |
| (vi) Day Count Fraction:                          | [Actual/Actual][Actual/Actual – ISDA][Actual/365<br>(Fixed)][Actual/360][30/360][360/360][Bond<br>Basis][30E/360][Eurobond Basis][30E/360 (ISDA)][Actual/Actual<br>ICMA: Determination Date(s): [•] in each year][Not Applicable]   |
| (vii) Business Day Convention:                    | [Floating Rate Business Day Convention][Following Business Day<br>Convention (Adjusted)][Following Business Day Convention<br>(Unadjusted)][Modified Following Business Day Convention<br>(Adjusted)][Modified Following Business Day Convention<br>(Unadjusted)][Preceding Business Day Convention<br>(Adjusted)][Preceding Business Day Convention<br>(Unadjusted)][Not Applicable] |
| 21 <b>Fixed to Floating Switchable<br/>Coupon</b> | [Applicable][Not Applicable]  |
| (i) Interest Commencement<br>Date:                | [•]   |
| (ii) Coupon Switch Date:                          | [•]   |
| (iii) Minimum Notice Period                       | [•]   |

Fixed Rate Provisions

- |                               |  |
|-------------------------------|--|
| (i) Fixed Rate of Interest:   | Interest Accrual Period: Fixed Rate of Interest:   |
|                               | [•][All Interest Accrual [•]<br>Periods falling in the<br>period [from [and<br>including][but<br>excluding] [•] to [and<br>including][but<br>excluding] [•]] |
|                               | [•] [•]<br>[•] [•]   |
| (ii) Interest Period Date(s): | [•]  |

- (iii) Interest Payment Date(s):
- (iv) [Fixed Coupon Amount[(s)]:  per Calculation Amount
- (v) [Broken Amount(s)]:  per Calculation Amount, payable on the Interest Payment Date falling [in][on]
- (vi) Day Count Fraction: [Actual/Actual][Actual/Actual – ISDA][Actual/365 (Fixed)][Actual/360][30/360][360/360][Bond Basis][30E/360][Eurobond Basis][30E/360 (ISDA)][Actual/Actual ICMA: Determination Date(s):  in each year][Not Applicable]
- (vii) Business Day Convention: [Floating Rate Business Day Convention][Following Business Day Convention (Adjusted)][Following Business Day Convention (Unadjusted)][Modified Following Business Day Convention (Adjusted)][Modified Following Business Day Convention (Unadjusted)][Preceding Business Day Convention (Adjusted)][Preceding Business Day Convention (Unadjusted)][Not Applicable]

#### Floating Rate Provisions

- (i) Interest Period Date(s):
- (ii) Interest Payment Date(s):
- (iii) Business Day Convention: [Floating Rate Business Day Convention][Following Business Day Convention (Adjusted)][Following Business Day Convention (Unadjusted)][Modified Following Business Day Convention (Adjusted)][Modified Following Business Day Convention (Unadjusted)][Preceding Business Day Convention (Adjusted)][Preceding Business Day Convention (Unadjusted)][Not Applicable]
- (iv) Party responsible for calculating the interest due (if not the Calculation Agent):
- (v) Relevant Rate:
- (a) ISDA Determination: [Applicable][Not Applicable]
- Floating Rate Option:
- Designated Maturity:
- Reset Date:
- (b) Screen Rate Determination: [Applicable][Not Applicable]
- Reference Rate:  [month] [GBP LIBOR][EURIBOR][HIBOR][STIBOR][SIBOR][TIBOR][CDOR][BBSW][USD LIBOR][CHF LIBOR][JPY LIBOR][EONIA][SONIA][NIBOR]
- Valuation Date(s):
- Relevant Screen Page:
- (c) CMS Rate Determination: [Applicable][Not Applicable]
- CMS Currency:
- CMS Designated Maturity:

- CMS Screen Page: [•]
- CMS Reference Time: [•] [a.m.][p.m.] ([•] time)
- CMS Determination Date: [•]
- CMS Business Centre(s): [•]
- CMS Reference Banks Number: [•]
- CMS Relevant Interbank Market: [•]
- (vi) Day Count Fraction: [Actual/Actual][Actual/Actual – ISDA][Actual/365 (Fixed)][Actual/360][30/360][360/360][Bond Basis][30E/360][Eurobond Basis][30E/360 (ISDA)][Actual/Actual ICMA: Determination Date(s): [•] in each year][Not Applicable]
- (vii) Leverage: [Applicable][Not Applicable]
- Interest Accrual Period: Leverage:
- [•][All Interest Accrual [•]  
Periods falling in the  
period [from [and  
including][but  
excluding] [•] to [and  
including][but  
excluding] [•]]
- [•] [•]  
[•] [•]
- (viii) Margin: [Applicable][Not Applicable]
- Interest Accrual Period: Margin:
- [•][All Interest Accrual [•]  
Periods falling in the  
period [from [and  
including][but  
excluding] [•] to [and  
including][but  
excluding] [•]]
- [•] [•]  
[•] [•]
- (ix) Cap: [Applicable][Not Applicable]
- [For all Interest Accrual Periods falling in the period [from [and  
including][but excluding] [•] to [and including][but excluding]  
[•]]:
- [[•] per cent. per annum]
- [[•] per cent. of] the following rate:
- (a) ISDA [Applicable][Not Applicable]  
Determination:
- Floating Rate [•]  
Option:

- Designated Maturity:
- Reset Date:
- (b) Screen Rate Determination:  [Applicable]  [Not Applicable]
- Reference Rate:  [month]  [GBP LIBOR]  [EURIBOR]  [HIBOR]  [STIBOR]  [SIBOR]  [TIBOR]  [CDOR]  [BBSW]  [USD LIBOR]  [CHF LIBOR]  [JPYLIBOR]  [EONIA]  [SONIA]  [NIBOR]
- Valuation Date(s):
- Relevant Screen Page:
- (c) CMS Rate Determination:  [Applicable]  [Not Applicable]
- CMS Currency:
- CMS Designated Maturity:
- CMS Screen Page:
- CMS Reference Time:  [a.m.]  [p.m.] ( time)
- CMS Determination Date:
- CMS Business Centre(s):
- CMS Reference Banks Number:
- CMS Relevant Interbank Market:

[For all Interest Accrual Periods falling in the period [from [and including][but excluding]  to [and including][but excluding] ]:

(x) Floor:

[Applicable]  [Not Applicable]

Interest Accrual Period: Floor:

[All Interest Accrual

Periods falling in the period [from [and including][but excluding]  to [and including][but excluding]

- [•] [•]
- [•] [•]
- 22 **Floating to Fixed Switchable Coupon** [Applicable][Not Applicable]
- (i) Interest Commencement Date: [•]
- (ii) Coupon Switch Date: [•]
- (iii) Minimum Notice Period: [•]
- Floating Rate Provisions
- (i) Interest Period Date(s): [•]
- (ii) Interest Payment Date(s): [•]
- (iii) Business Day Convention: [Floating Rate Business Day Convention][Following Business Day Convention (Adjusted)][Following Business Day Convention (Unadjusted)][Modified Following Business Day Convention (Adjusted)][Modified Following Business Day Convention (Unadjusted)][Preceding Business Day Convention (Adjusted)][Preceding Business Day Convention (Unadjusted)][Not Applicable]
- (iv) Party responsible for calculating the interest due (if not the Calculation Agent): [•]
- (v) Relevant Rate:
- (a) ISDA Determination: [Applicable][Not Applicable]
- Floating Rate Option: [•]
- Designated Maturity: [•]
- Reset Date: [•]
- (b) Screen Rate Determination: [Applicable][Not Applicable]
- Reference Rate: [•] [month] [GBP LIBOR][EURIBOR][HIBOR][STIBOR][SIBOR][TIBOR][CDOR][BBSW][USD LIBOR][CHF LIBOR][JPY LIBOR][EONIA][SONIA][NIBOR]
- Valuation Date(s): [•]
- Relevant Screen Page: [•]
- (c) CMS Rate Determination: [Applicable][Not Applicable]
- CMS Currency: [•]
- CMS Designated Maturity: [•]
- CMS Screen Page: [•]
- CMS Reference Time: [•] [a.m.][p.m.] ([•] time)
- CMS Determination Date: [•]
- CMS Business Centre(s): [•]
- CMS Reference Banks Number: [•]



- CMS Relevant Interbank Market:	[•]
(vi) Day Count Fraction:	[Actual/Actual][Actual/Actual – ISDA][Actual/365 (Fixed)][Actual/360][30/360][360/360][Bond Basis][30E/360][Eurobond Basis][30E/360 (ISDA)][Actual/Actual ICMA: Determination Date(s): [•] in each year][Not Applicable]
(vii) Leverage:	[Applicable][Not Applicable] Interest Accrual Period: [•][All Interest Accrual Periods falling in the period [from [and including][but excluding] [•] to [and including][but excluding] [•]] [•] Leverage: [•] [•] [•]
(viii) Margin:	[Applicable][Not Applicable] Interest Accrual Period: [•][All Interest Accrual Periods falling in the period [from [and including][but excluding] [•] to [and including][but excluding] [•]] [•] Margin: [•] [•] [•]
(ix) Cap:	[Applicable][Not Applicable] [For all Interest Accrual Periods falling in the period [from [and including][but excluding] [•] to [and including][but excluding] [•]]: [[•] per cent. per annum] [[•] per cent. of] the following rate: (a) ISDA Determination: [Applicable][Not Applicable] - Floating Rate Option: [•] - Designated Maturity: [•] - Reset Date: [•]

- (b) Screen Rate [Applicable][Not Applicable]  
 Determination:  
 - Reference Rate: [●] [month] [GBP LIBOR][EURIBOR][HIBOR][STIBOR][SIBOR][TIBOR][CDOR][BBSW][USD LIBOR][CHF LIBOR][JPY LIBOR][EONIA][SONIA][NIBOR]  
 - Valuation [●]  
 Date(s):  
 - Relevant Screen [●]  
 Page:
- (c) CMS Rate [Applicable][Not Applicable]  
 Determination:  
 - CMS Currency: [●]  
 - CMS Designated Maturity: [●]  
 - CMS Screen [●]  
 Page:  
 - CMS Reference [●] [a.m.][p.m.] ([●] time)  
 Time:  
 - CMS Determination Date: [●]  
 - CMS Business Centre(s): [●]  
 - CMS Reference Banks Number: [●]  
 - CMS Relevant Interbank Market: [●]

[For all Interest Accrual Periods falling in the period [from [and including][but excluding] [●] to [and including][but excluding] [●]]:

[●] [●]

(x) Floor:

[Applicable][Not Applicable]

Interest Accrual Floor:  
 Period:

[●][All Interest [●]

Accrual Periods falling in the period [from [and including][but excluding] [●] to [and

including][but  
excluding] [●]]

[●] [●]

[●] [●]

#### Fixed Rate Provisions

- (i) Fixed Rate of Interest: Interest Accrual Period: Fixed Rate of Interest:  
 [●][All Interest Accrual Periods falling in the period [from [and including][but excluding] [●] to [and including][but excluding] [●]] [●]
- (ii) Interest Period Date(s): [●]
- (iii) Interest Payment Date(s): [●]
- (iv) [Fixed Coupon Amount[(s)]: [●] per Calculation Amount
- (v) [Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in][on] [●]
- (vi) Day Count Fraction: [Actual/Actual][Actual/Actual – ISDA][Actual/365 (Fixed)][Actual/360][30/360][360/360][Bond Basis][30E/360][Eurobond Basis][30E/360 (ISDA)][Actual/Actual ICMA: Determination Date(s): [●] in each year][Not Applicable]
- (vii) Business Day Convention: [Floating Rate Business Day Convention][Following Business Day Convention (Adjusted)][Following Business Day Convention (Unadjusted)][Modified Following Business Day Convention (Adjusted)][Modified Following Business Day Convention (Unadjusted)][Preceding Business Day Convention (Adjusted)][Preceding Business Day Convention (Unadjusted)][Not Applicable]

#### 23 **Early Redemption Amount**

[Early Redemption Amount(s):] [Fair market value][Par][Amortised Face Amount in accordance with Base General Condition 7(b)(i) (*Redemption, Purchase and Options*)]

24 **Unwind Costs:** [Applicable][Not Applicable]

25 **Expenses** [Applicable][Not Applicable]

#### **CREDIT LINKED PROVISIONS**

26 **Credit Linked Provisions** [Applicable][Not Applicable]

27 **Type of Notes** [Single Name Credit Linked Notes][Linear Basket Notes]

- (i) Fixed Recovery Notes or Principal Protected Notes: [Fixed Recovery Notes][Principal Protected Notes][Not Applicable]

- 28 **Credit Payment on Maturity** [Applicable][Not Applicable]
- 29 **Credit Event Redemption Method** [Auction Redemption][Cash Redemption][Physical Redemption][Cash or Physical Redemption][Cash or Physical Redemption or Auction Redemption][Principal Protected Redemption][Fixed Recovery Redemption]
- (i) Fallback Redemption Method: [Cash Redemption][Physical Redemption][Not Applicable]
- 30 **Principal Protected Amount** [[•] per cent.][Final Redemption Amount]
- 31 **Fixed Recovery Percentage** [[•] per cent.]
- 32 **Credit Event Accrued Interest** [Applicable][Not Applicable]
- 33 **Reference Entity[ies][, Weighting and Reference Entity Notional Amount]** [•]
- (i) Seniority Level: [[Senior Level][Subordinated Level]]
- | Reference Entity: | Weighting: | Reference Entity Notional Amount: | Seniority Level:                       |
|-------------------|------------|-----------------------------------|--|
| [•]               | [•]        | [•]                               | [Senior Level]<br>[Subordinated Level] |
| [•]               | [•]        | [•]                               | [Senior Level]<br>[Subordinated Level] |
- ]
- 34 **Standard Reference Obligation[s]** [Applicable][Not Applicable]
- 35 **Reference Obligation[s]** [•]
- 36 **Obligations**
- (i) Obligation Category: [Payment][Borrowed Money][Reference Obligation Only][Bond][Loan][Bond or Loan]
- (ii) Obligation Characteristics: [Not Subordinated]  
[Specified Currency]  
[Not Sovereign Lender]  
[Not Domestic Currency]  
[Not Domestic Law]  
[Listed]  
[Not Domestic Issuance]  
[None]
- (iii) Excluded Obligation: [•][Not Applicable]
- (iv) All Guarantees: [Applicable][Not Applicable]
- 37 **Deliverable Obligations**
- (i) Deliverable Obligation [Payment][Borrowed Money][Reference Obligations]

	Category:	Only][Bond][Loan][Bond or Loan]
	(ii) Deliverable Obligation Characteristics:	[Not Subordinated] [Specified Currency] [Not Sovereign Lender] [Not Domestic Currency] [Domestic Currency] [Not Domestic Law] [Listed] [Not Domestic Issuance] [Assignable Loan] [Consent Required Loan] [Direct Loan Participation] [Transferable] [Maximum Maturity [of [•] years]] [Accelerated or Matured] [Not Bearer] [Together with [•]]
	(iii) Excluded Deliverable Obligation:	[•][Not Applicable]
	(iv) All Guarantees:	[Applicable][Not Applicable]
38	<b>Financial Reference Entity Terms</b>	[Applicable][Not Applicable]
39	<b>Subordinated European Insurance Terms</b>	[Applicable][Not Applicable]
40	<b>Sovereign Reference Entity No Asset Package Delivery</b>	[Applicable][Not Applicable]
41	<b>Coco Supplementary Provisions</b> [Trigger Percentage:	[Applicable][Not Applicable] [•]]
42	<b>Credit Event(s)</b>	[Bankruptcy] [Failure to Pay Payment Requirement: [•] [OR] [As per the Credit Linked Asset Conditions] Grace Period Extension: [Applicable][Not Applicable] [Grace Period: [•][As per the Credit Linked Asset Conditions]] [Governmental Intervention] [Obligation Acceleration] [Obligation Default] [Repudiation/Moratorium] [Restructuring Mod R: [Applicable][Not Applicable] Mod Mod R: [Applicable][Not Applicable] Multiple Holder Obligation: [Applicable][Not Applicable]]
	(i) Default Requirement:	[•][As per the Credit Linked Asset Conditions]
	(ii) All Guarantees:	[Applicable][Not Applicable]
	(iii) Notice of Publicly	[Not Applicable]

	Available Information::	Public Source(s): [●][As per the Credit Linked Asset Conditions] Specified Number: [●][As per the Credit Linked Asset Conditions]
43	<b>Non-Standard Event Determination Date</b>	[Applicable][Not Applicable]
44	<b>Event Determination Date Version B</b>	[Applicable][Not Applicable]
45	<b>[Auction Redemption Amount Cash Redemption Amount Final Cash Redemption Amount]</b>	[●] [As per the Credit Linked Asset Conditions] [●] [As per the Credit Linked Asset Conditions] [●][As per the Credit Linked Asset Conditions]
46	<b>[Cash Redemption Date]</b>	[[●] Business Days following the relevant date specified in the Credit Linked Asset Conditions][As per the Credit Linked Asset Conditions]
47	<b>Cash Redemption Terms</b>	[Applicable][Not Applicable]
	(i) Valuation Date[(s)]:	[Single Valuation Date Number of Business Days: [●][As per the Credit Linked Asset Conditions]] [Multiple Valuation Dates: [●] Business Days and each [●] Business Days thereafter. [Number of Valuation Dates: [●]]]
	(ii) Valuation Time:	[●][As per the Credit Linked Asset Conditions]
	(iii) Valuation Method:	[Highest][Market][Average Highest][Average Market][Lowest]
	(iv) Indicative Quotation:	[Applicable][Not Applicable]
	(v) Quotation Method:	[Bid][Offer][Mid-market]
	(vi) Quotation Dealers:	[●][As per the Credit Linked Asset Conditions]
	(vii) Minimum Quotation Amount:	[●][As per the Credit Linked Asset Conditions]
	(viii) Accrued Interest:	[Include Accrued Interest][Exclude Accrued Interest][As per Credit Linked Asset Condition 2.7.2(b)(iii)]
48	<b>Physical Redemption Terms</b>	[Applicable][Not Applicable]
	(i) Physical Settlement Period:	[[●] Business Days][As per the Credit Linked Asset Conditions]
	(ii) [Include Accrued Interest:	Applicable]
	(iii) [Fallback Cash Redemption:	[Applicable][Not Applicable]
49	<b>Physical Settlement Matrix Standard Terms</b>	[Applicable][Not Applicable] [Physical Settlement Matrix: [●][As per the Credit Linked Asset Conditions] Transaction Type: [●]]
50	<b>Partial Cash Redemption</b>	

**Terms/Fallback Cash****Redemption Terms**

- (i) Valuation Time: [●][As per the Credit Linked Asset Conditions]
- 51 **Redemption Following Merger** [Applicable][Not Applicable]
- 52 **Credit Event Unwind Costs** [Applicable][Not Applicable]
- 53 **Additional Disruption Events** [Applicable][Not Applicable]  
 [Change in Law]  
 [Hedging Disruption]  
 [Increased Cost of Hedging]  
 [Increased Cost of Stock Borrow]  
 [Loss of Stock Borrow]  
 [Force Majeure]  
 [Illegality]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- 54 **Form of Notes** [Bearer Notes - Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on [●] days' notice][at any time][in the limited circumstances specified in the Permanent Global Note]  
 [Bearer Notes - Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]  
 [Bearer Notes - Permanent Global Note exchangeable for Definitive Notes on [[●] days' notice][at any time][in the limited circumstances specified in the Permanent Global Note]  
 [Registered Notes – Global Note Certificate[s]] – [Euroclear/Clearstream, Luxembourg]
- 55 **New Global Note** [Yes][No]
- 56 **Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature)** [Not Applicable][●]
- 57 **Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made** [Not Applicable][●]

**DISTRIBUTION**

- 58 **U.S. Selling Restrictions** [Reg S Category 2; TEFRA C/TEFRA D/TEFRA Not Applicable]

**LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required for issue [and admission to trading] of the Notes described herein pursuant to the Credit Linked Programme of Lloyds Bank plc and Lloyds Banking Group plc.

[*Information on underlying assets*] has been extracted from [*source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it 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.

Signed on behalf of the Issuer:

By:

.....

Duly authorised



**PART B — OTHER INFORMATION****1 LISTING AND ADMISSION TO TRADING**

- (i) Listing and admission to trading: Application [has been][is expected to be] made by the Issuer (or on its behalf) for the Notes to be listed on the Official List of the UK Listing Authority and to be admitted to trading on the regulated market of the London Stock Exchange with effect from [●][on or around [●]].
- (ii) Estimate of total expenses related to admission to trading: [●]

**2 RATING**

- Ratings: [The Notes to be issued have not been rated.]  
 [The Notes to be issued have been rated:  
 [S&P: [●]]  
 [Moody's: [●]]  
 [Fitch: [●]]

**3 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE][OFFER]**

[“Save as discussed in “*Selling Restrictions*”, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”][●]

**4 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

- (i) [Reasons for the offer: [●]]
- (ii) [Estimated net proceeds: [●]]
- (iii) [Estimated total expenses: [●]]

**5 [Fixed Rate Notes only — YIELD**

Indication of yield The yield is calculated at the Issue Date on the basis of the Issue Price, using the formula below. [●]  
 Calculated using the method above, the yield is [●] on the Issue Date. As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

**6 [Floating Rate Notes only — HISTORIC INTEREST RATES**

Details of historic [GBP LIBOR][EURIBOR][other] rates can be obtained from [Reuters].]

**7 [Rate Linked Notes and Credit Linked Notes only — DETAILS OF THE REFERENCE ITEM**

[Information in relation to the past and future performance and volatility of [Reference Entity/Entities][Underlying Rates] can be obtained from [●].]

**8 OPERATIONAL INFORMATION**

- ISIN Code: [●][Not Applicable]
- Common Code: [●]
- Swiss Securities Number (*Valorenummer*): [●][Not Applicable]
- WKN Number (*Wertpapierkennnummer*): [●][Not Applicable]
- Any clearing system(s) other than Euroclear [Not Applicable][●]

Bank SA/NV and Clearstream Banking,  
*société anonyme* and the relevant  
identification number(s):

Delivery:

Delivery [against][free of] payment

Names and addresses of additional Paying  
Agent(s) (if any):

[•][Not Applicable]

## **USE OF PROCEEDS**

*This section sets out what the proceeds from the sale of Notes will be used for.*

The net proceeds of each issue of Notes will be used for the general business purposes of Lloyds Banking Group.

## CLEARING AND SETTLEMENT

*This section provides information on the ways in which Notes may be cleared and settled through clearing systems.*

### Book-Entry Ownership

#### Bearer Notes

The relevant Issuer may make applications to Clearstream, Luxembourg and/or Euroclear for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note in bearer form without coupons may be deposited with a common depository or common safekeeper, as the case may be, for Clearstream, Luxembourg and/or Euroclear or an Alternative Clearing System as agreed between the relevant Issuer and Dealer. Transfers of interests in such temporary Global Notes or permanent Global Notes will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Luxembourg and Euroclear or, if appropriate, the Alternative Clearing System. Each Global Note deposited with a common depository or common safekeeper, as the case may be, on behalf of Euroclear and Clearstream, Luxembourg will have an ISIN and a Common Code, and, where applicable, the identification number for any other relevant clearing system (including the Swiss securities number (*Valorenummer*) or German WKN number (*Wertpapierkennnummer*), as the case may be). Global Notes deposited with a common depository or nominee or custodian of an Alternative Clearing System may have additional or alternative identifiers, as set out in the relevant Final Terms.

#### Registered Notes

The relevant Issuer may make applications to Clearstream, Luxembourg and/or Euroclear and/or an Alternative Clearing System for acceptance in their respective book-entry systems in respect of the Registered Notes to be represented by a Global Note Certificate. Each Global Note Certificate deposited with a nominee for Clearstream, Luxembourg and/or Euroclear will have an ISIN and a Common Code, and, where applicable, the identification number for any other relevant clearing system (including the Swiss securities number (*Valorenummer*) or German WKN number (*Wertpapierkennnummer*), as the case may be). Global Note Certificates registered in the name of a nominee for an Alternative Clearing System may have additional or alternative identifiers, as set out in the relevant Final Terms.

All Registered Notes will initially be in the form of a Global Note Certificate. Individual Certificates will only be available in amounts specified in the relevant Final Terms.

#### Transfers of Registered Notes

Transfers of interests in Global Note Certificates within Clearstream, Luxembourg and Euroclear will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note Certificate to such persons may be limited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and/or Euroclear will generally have a settlement date three Business Days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

#### Individual Certificates

Registration of title to Registered Notes in a name other than a depository or its nominee for Clearstream, Luxembourg and Euroclear or for an Alternative Clearing System will be permitted only in the circumstances set forth in “*Summary of Provisions Relating to the Notes while in Global Form – Exchange – Global Note Certificates*”. In such circumstances, the relevant Issuer will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant

Noteholder(s). A person having an interest in a Global Note Certificate must provide the Registrar with a written order containing instructions and such other information as the relevant Issuer and the Registrar may require to complete, execute and deliver such individual Certificates.

## CERTAIN DEFINITIONS

*This section sets out the meanings of certain defined terms that are used in this Prospectus.*

In this Prospectus, reference to:

- (i) “**Affiliate**” is to, 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, where, for these purposes, “**control**” means ownership of a majority of the voting power of an entity;
- (ii) “**Company**” is to Lloyds Banking Group plc;
- (iii) “**FCA**” is to the United Kingdom Financial Conduct Authority;
- (iv) “**FSA**” is to the United Kingdom Financial Services Authority;
- (v) “**FSMA**” is to the Financial Services and Markets Act 2000;
- (vi) “**HBOS Group**” or “**HBOS**” is to HBOS plc and its subsidiary and associated undertakings;
- (vii) “**Issuer**” is to either the Bank or the Company, as applicable (and together, the “**Issuers**”);
- (viii) “**Lloyds Bank**” or “**Bank**” is to Lloyds Bank plc;
- (ix) “**Lloyds Bank Group**” is to the Bank and its subsidiary and associated undertakings;
- (x) “**Lloyds Banking Group**”, “**Lloyds**” or the “**Group**” is to the Company and its subsidiary and associated undertakings;
- (xi) “**PRA**” is to the United Kingdom Prudential Regulation Authority; and
- (xii) “**UK**” is to the United Kingdom.

## LLOYDS BANKING GROUP AND LLOYDS BANK

*This section provides a description of Lloyds Bank and Lloyds Banking Group's business activities as well as certain financial information and key risks faced by Lloyds Banking Group.*

### Overview

The businesses of Lloyds Banking Group are in or owned by the Bank and the Bank is wholly owned by the Company. Accordingly, set out below is information relating both to the Group and the Bank which is necessary in order for investors to understand the business of the Bank and the relevance of its relationship with the Company.

Lloyds Banking Group is a leading provider of financial services to individual and business customers in the UK. The Company and the Bank both operate under the Companies Act 2006.

### History and Development of Lloyds Banking Group

The history of the Group can be traced back to the 18th century when the banking partnership of Taylors and Lloyds was established in Birmingham, England. Lloyds Bank Plc was incorporated in 1865 and during the late 19th and early 20th centuries entered into a number of acquisitions and mergers, significantly increasing the number of banking offices in the UK. In 1995, it continued to expand with the acquisition of the Cheltenham and Gloucester Building Society (“C&G”).

TSB Group plc became operational in 1986 when, following UK Government legislation, the operations of four Trustee Savings Banks and other related companies were transferred to TSB Group plc and its new banking subsidiaries. By 1995, TSB Bank plc (“**TSB Bank**”), its consolidated subsidiaries and subsidiary undertakings from time to time (the “**TSB Group**”) had, either through organic growth or acquisition, developed life and general insurance operations, investment management activities, and a motor vehicle hire purchase and leasing operation to supplement its retail banking activities.

In 1995, TSB Group plc merged with Lloyds Bank Plc. Under the terms of the merger, the TSB and Lloyds Bank groups were combined under TSB Group plc, which was re-named Lloyds TSB Group plc (“**LTSB**”), with Lloyds Bank Plc, which was subsequently re-named Lloyds TSB Bank plc, the principal subsidiary. In 1999, the businesses, assets and liabilities of TSB Bank, the principal banking subsidiary of the TSB Group prior to the merger, and its subsidiary Hill Samuel Bank Limited were vested in Lloyds TSB Bank plc, and in 2000, LTSB acquired Scottish Widows. In addition to already being one of the leading providers of banking services in the UK, the acquisition of Scottish Widows also positioned LTSB as one of the leading suppliers of long-term savings and protection products in the UK.

The HBOS Group had been formed in September 2001 by the merger of Halifax plc (“**Halifax**”) and Bank of Scotland plc (“**BoS**”). The Halifax business began with the establishment of the Halifax Permanent Benefit Building Society in 1852; the society grew through a number of mergers and acquisitions including the merger with Leeds Permanent Building Society in 1995 and the acquisition of Clerical Medical Investment Group Limited (“**CMIG**”) in 1996. In 1997 the Halifax converted to plc status and floated on the London stock market. BoS was founded in July 1695, making it Scotland's first and oldest bank.

On 18 September 2008, with the support of the UK Government, the boards of LTSB and HBOS announced that they had reached agreement on the terms of a recommended acquisition by LTSB of HBOS. The shareholders of LTSB approved the acquisition at LTSB's general meeting on 19 November 2008. On 16 January 2009, the acquisition was completed and LTSB changed its name to Lloyds Banking Group plc.

Pursuant to two placing and open offers which were completed by the Company in January and June 2009 and the rights issue completed in December 2009, the UK Government acquired 43.4 per cent. of the Company's issued ordinary share capital. As announced, at 4 December 2015 UKFI held approximately 6.6

billion shares in the Group representing a stake of approximately 9.2 per cent., following a sale of 4,282 million shares on 20 September 2013, a further sale of 5,555 million shares on 31 March 2014, the effects of a trading plan with Morgan Stanley & Co. International plc (“**Morgan Stanley**”) that was announced on 17 December 2014 and extended on both 1 June 2015 and 4 December 2015, and the effects of issues of ordinary shares. The trading plan provides Morgan Stanley with full discretion to effect a measured and orderly sell down of shares in the Group on behalf of the UK Government above a share price of 73.6 pence. The trading plan will terminate no later than 30 June 2016. The plan may be stopped earlier than 30 June 2016, for example to ensure that HM Treasury retains sufficient shares for the proposed retail offer, which was originally expected to be launched in Spring 2016 but has been delayed following recent market volatility. The UK Government has instructed Morgan Stanley that up to but no more than 15 per cent. of the aggregate total trading volume in the Group is to be sold over the duration of the trading plan. Although the UK Government may have sold shares since its announcement on 4 December 2015 their holding remains above 9 per cent. as at 13 May 2016.

Pursuant to its decision approving state aid to the Group, the European Commission required the Group to dispose of a retail banking business meeting minimum requirements for the number of branches, share of the UK personal current accounts market and proportion of the Group’s mortgage assets. Following disposals in 2014, the Group retained an interest of approximately 50 per cent. in TSB as at 31 December 2014. The Group sold its remaining interest in TSB to Banco de Sabadell (“**Sabadell**”) in 2015, with the acquisition becoming unconditional in all respects on 30 June 2015 following the receipt of all relevant regulatory clearances.

## **Ratings**

### **Ratings of the Bank**

As at the date of this Prospectus: (i) long-term senior obligations of the Bank are rated “A” by S&P, “A1” by Moody’s and “A+” by Fitch; and (ii) short-term obligations of the Bank are rated “A-1” by S&P, “P-1” by Moody’s and “F1” by Fitch. Each of Fitch, Moody’s and S&P is established in the EU and is registered under Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

#### *Expected ratings in relation to Notes issued by the Bank under the Programme*

S&P is expected to rate: Notes issued by the Bank under the Programme with a maturity of one year or more “A”; and Notes issued by the Bank under the Programme with a maturity of less than one year “A-1”.

Moody’s is expected to rate: Notes issued by the Bank under the Programme with a maturity of one year or more “A1”; and Notes issued by the Bank under the Programme with a maturity of less than one year “P-1”.

Notes issued by the Bank pursuant to the Programme will be rated by Fitch on a case-by-case basis (if at all).

The credit ratings referred to and included in this Prospectus have been issued by S&P, Fitch and Moody’s, each of which is established in the EU and is registered under Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

Tranches of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to Notes already issued. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the EU and registered under Regulation (EC) No. 1060/2009 (as amended) on credit rating agencies will be disclosed in the relevant Final Terms.

A rating is not a recommendation to buy, sell or hold securities and may be subject to change, suspension or withdrawal at any time by the assigning rating agency.



For detail on credit ratings risks see “*Risk Factors – Financial soundness related risks*”. In particular, see “*Risk Factors – Financial soundness related risks – The Group’s borrowing costs and access to the capital markets is dependent on a number of factors, including any reduction in the Group’s longer-term credit rating, and increased costs or reduction in access could materially adversely affect the Group’s results of operations, financial condition or prospects*”.

## **Ratings of the Company**

As at the date of this Prospectus: (i) long-term senior obligations of the Company are rated “BBB+” by S&P, “Baa1” by Moody’s and “A+” by Fitch; and (ii) short-term obligations of the Company are rated “A-2” by S&P, “P-2” by Moody’s and “F1” by Fitch. Each of Fitch, Moody’s and S&P is established in the EU and is registered under Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

### *Expected ratings in relation to Notes issued by the Company under the Programme*

S&P is expected to rate: Notes issued by the Company under the Programme with a maturity of one year or more “BBB+”; and Notes issued by the Company under the Programme with a maturity of less than one year “A-2”.

Moody’s is expected to rate: Notes issued by the Company under the Programme with a maturity of one year or more “Baa1”; and Notes issued by the Company under the Programme with a maturity of less than one year “P-2”.

Notes issued by the Company pursuant to the Programme will be rated by Fitch on a case-by-case basis (if at all).

The credit ratings referred to and included in this Prospectus have been issued by S&P, Fitch and Moody’s, each of which is established in the EU and is registered under Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

Tranches of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to Notes already issued. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the EU and registered under Regulation (EC) No. 1060/2009 (as amended) on credit rating agencies will be disclosed in the relevant Final Terms.

A rating is not a recommendation to buy, sell or hold securities and may be subject to change, suspension or withdrawal at any time by the assigning rating agency.

For detail on credit ratings risks see “*Risk Factors – Financial soundness related risks*”. In particular, see “*Risk Factors – Financial soundness related risks – The Group’s borrowing costs and access to the capital markets is dependent on a number of factors, including any reduction in the Group’s longer-term credit rating, and increased costs or reduction in access could materially adversely affect the Group’s results of operations, financial condition or prospects*”.

## **Strategy of Lloyds Banking Group**

The Group is a leading provider of financial services to individual and business customers in the UK. The Group’s main business activities are retail and commercial banking, and long-term savings, protection and investment. Services are provided through a number of well recognised brands including Lloyds Bank, Halifax, BoS and Scottish Widows and through a range of distribution channels, including the largest branch network in the UK and a comprehensive digital proposition.

The Group operates a simple, low-risk, customer focused retail and commercial banking business primarily in the UK. The Group’s corporate strategy is built around being the best bank for individual and business

customers across the UK and creating value by investing in areas that make a real difference to these customers.

Following the successful delivery of the Group's 2011 strategy that underpinned the Group's low-cost, low risk, customer focused, UK retail and commercial banking business model, the Group outlined the next phase of its strategy in October 2014. The Group's strategy is focused upon delivering value and high quality experiences for customers alongside superior and sustainable financial performance within a prudent risk and conduct framework. This will be achieved through three strategic priorities which will be consistently applied across all divisions:

#### ***Creating the best customer experience***

The Group's ambition is to create the best customer experience through its multi-brand, multi-channel approach, combining comprehensive online and mobile capabilities with face to face services. This involves transforming the Group's digital presence while sustaining extensive customer reach through a branch network focused on delivering high quality service and the right outcomes for customers.

#### ***Becoming simpler and more efficient***

The Group is focused on creating operational capability which is simpler and more efficient than today and will become more responsive to changing customer expectations while maintaining its cost leadership amongst UK high street banks. This includes a second phase of the simplification programme to achieve run-rate savings of £1 billion per annum by the end of 2017. In order to achieve these savings, the Group will invest around £1.6 billion over three years on initiatives to simplify processes and increase automation.

#### ***Delivering sustainable growth***

As the UK economy continues to recover, the Group will seek Group-wide growth opportunities whilst maintaining its prudent risk appetite. This will be achieved by maintaining market leadership in its retail business lines while also focusing on areas where the Group is currently under-represented.

#### ***Summary***

The Group is creating a simpler, more agile, efficient and responsive customer focused organisation which operates sustainably and responsibly and helps Britain prosper. The achievement of the Group's strategy could not happen without the support of colleagues. The Group is therefore committed to "building the best team" to create a high performance organisation. The Group believes that the successful execution of the next phase of its strategy will enable delivery of superior and sustainable returns for shareholders.

### **Business and Activities of Lloyds Banking Group**

At 31 December 2015 the Group's activities were organised into four financial reporting segments: Retail; Commercial Banking; Consumer Finance and Insurance.

#### ***Retail***

Retail offers a broad range of financial service products, including current accounts, savings, personal loans and mortgages, to UK personal customers, including Wealth and small business customers. It is also a distributor of insurance, protection and credit cards, and a range of long-term savings and investment products. Its aim is to be the best bank for customers in the UK, by building deep and enduring relationships that deliver real value to customers, and by providing them with greater choice and flexibility. It will maintain its multi-brand and multi-channel strategy, and continue to simplify the business and provide more transparent products, helping to improve service levels and reduce conduct risks.

#### ***Commercial Banking***

Commercial Banking has been supporting British business for 250 years. It has a client-led, low risk, capital efficient strategy, helping UK-based clients and international clients with a link to the UK. Through its four

client facing divisions – SME, Mid Markets, Global Corporates and Financial Institutions – it provides clients with a range of products and services such as lending, transactional banking, working capital management, risk management, debt capital markets services, as well as access to private equity through Lloyds Development Capital.

### ***Consumer Finance***

Consumer Finance provides a range of products including motor finance, credit cards, and European mortgages and deposit taking, aiming to deliver sustainable growth within risk appetite. Motor Finance seeks to achieve this through improving customer service by building digital capability and continuing to create innovative propositions. Credit Cards aims to attract customers through better use of Group customer relationships and insight, underpinned by improvements to customer experience.

### ***Insurance***

Insurance provides a broad range of long term savings, retirement and protection products to retail and corporate customers, either direct or through intermediary networks or through the Group’s banking branches.

#### *Life, Pensions and Investments*

The Life, Pensions and Investments business provides long-term savings, retirement solutions and protection products primarily distributed through intermediaries and direct channels of Scottish Widows.

#### *General Insurance*

The General Insurance business is a leading provider of home insurance in the UK, with products sold through the branch network, direct channels and strategic corporate partners. The business also has brokerage operations for personal and commercial insurances. It operates primarily under the Lloyds Bank, Halifax and BoS brands.

### **Material Contracts**

The Company and its subsidiaries are party to various contracts in the ordinary course of business.

For information relating to the Company’s relationship with the UK Government see “*Major Shareholders and Related Party Transactions – Information about the Lloyds Banking Group’s relationship with the UK Government*”. For information relating to the Group’s relationship with the TSB Group see “*Major Shareholders and Related Party Transactions – Information about the Lloyds Banking Group’s relationship with the TSB Group*”.

### **Competitive Environment**

The Group provides financial services to individual and business customers, predominantly in the UK but also overseas. The main business activities of the Group are retail, commercial and corporate banking, general insurance, life insurance, pensions and investment provision.

In the retail banking market, the Group competes with banks and building societies, major retailers and internet-only providers. In the mortgage market, competitors include the traditional banks and building societies and specialist mortgage providers. The Group competes with both UK and foreign financial institutions along with emerging forms of lending in the commercial banking markets and with bancassurance, life assurance and general insurance companies in the UK insurance market.

The markets for UK financial services, and the other markets within which the Group operates, are competitive, and management expects such competition to continue or intensify in response to competitor behaviour, including non-traditional competitors, consumer demand, technological changes such as the growth of digital banking, and the impact of regulatory actions and other factors.

For more information see “*Risk Factors – Business and economic risks – The Group’s businesses are conducted in competitive environments, with increased competition scrutiny, and the Group’s financial performance depends upon management’s ability to respond effectively to competitive pressures.*”

## **Regulation**

### *Approach of the Financial Conduct Authority (“FCA”)*

As per FSMA (as amended by the Financial Services Act 2012), the FCA has a strategic function to ensure that the relevant markets function well. In support of this, the FCA has three operational objectives: to secure an appropriate degree of protection for consumers; to protect and enhance the integrity of the UK financial system; and to promote effective competition in the interests of consumers.

The FCA Handbook sets out rules and guidance across a range of conduct issues with which financial institutions are required to comply including high level principles of business and detailed conduct of business standards and reporting standards.

### *Regulatory Approach of the PRA*

As per the Financial Services Act 2012, the PRA has two statutory objectives: to promote the safety and soundness of the firms which it supervises and, with respect to insurers, to contribute to the securing of an appropriate degree of protection for policyholders. The PRA’s regulatory and supervisory approach incorporates three key characteristics: to take a judgement-based approach, a forward-looking approach, and a focused-approach.

The PRA has largely inherited the prudential aspects of the former FSA Handbook, including regulations and guidance relating to capital adequacy and liquidity among several other things. A PRA Rulebook is also in development which will replace the PRA Handbook and will only apply to PRA-authorized firms.

## ***Other bodies impacting the regulatory regime***

### *The Bank of England and HM Treasury*

The agreed framework for co-operation in the field of financial stability in the financial markets is detailed in the Memorandum of Understanding published jointly by HM Treasury, the FCA (formerly the FSA) and the Bank of England (now including the PRA). The Bank of England has specific responsibilities in relation to financial stability, including: (i) ensuring the stability of the monetary system; (ii) oversight of the financial system infrastructure, in particular payments systems in the UK and abroad; and (iii) maintaining a broad overview of the financial system through its monetary stability role. The Bank of England also wholly incorporates the PRA.

### *UK Financial Ombudsman Service (“FOS”)*

The FOS provides consumers with a free and independent service designed to resolve disputes where the customer is not satisfied with the response received from the regulated firm. The FOS resolves disputes for eligible persons that cover most financial products and services provided in (or from) the UK. The jurisdiction of the FOS extends to include firms conducting activities under the CCA. Although the FOS takes account of relevant regulation and legislation, its guiding principle is to resolve cases on the basis of what is fair and reasonable; in this regard, the FOS is not bound by law or even its own precedent. The decisions made by the FOS are binding on regulated firms.

### *The Financial Services Compensation Scheme*

The FSCS was established under the FSMA and is the UK’s statutory fund of last resort for customers of authorised financial services firms. Companies within the Group are responsible for contributing to compensation schemes in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers. The FSCS can pay compensation to customers if a firm is unable, or

likely to be unable, to pay claims against it. The FSCS is funded by levies on firms authorised by the PRA and the FCA, including companies within the Group.

#### *Lending Standards Board*

The Lending Standards Board (formerly the Banking Code Standards Board) is responsible for monitoring and enforcing compliance with the voluntary Lending Code introduced on 1 November 2009 (as last amended in October 2014), which relates to certain lending (current account overdrafts, loans and credit cards) to consumers, micro-enterprises and charities with an income of less than £1 million.

#### *UK Competition and Markets Authority*

Since 1 April 2014 the competition functions previously exercised by the Office of Fair Trading and the Competition Commission have been transferred to the new CMA or the FCA. The CMA's regulatory and enforcement powers impact the banking sector in a number of ways, including powers to investigate and prosecute a number of criminal offences under competition law. In addition, the CMA is now the lead enforcer under the Unfair Terms in Consumer Contracts Regulations 1999.

#### *UK Information Commissioner's Office*

The UK Information Commissioner's Office is responsible for overseeing implementation of the Data Protection Act 1998. This Act regulates, among other things, the retention and use of data relating to individual customers. The Freedom of Information Act 2000 (the "FOIA") sets out a scheme under which any person can obtain information held by, or on behalf of, a "public authority" without needing to justify the request. A public authority will not be required to disclose information if certain exemptions set out in the FOIA apply.

#### *The Payments System Regulator*

The Payment System Regulator ("PSR") is a new independent economic regulator for the £75 trillion payment systems industry, which was launched in April 2015. Payment systems form a vital part of the UK's financial system – they underpin the services that enable funds to be transferred between people and institutions. The purpose of PSR is to make payment systems work well for those that use them. The PSR is a subsidiary of the FCA, but has its own statutory objectives, Managing Director and Board. In summary their objectives are: to ensure that payment systems are operated and developed in a way that considers and promotes the interests of all the businesses and consumers that use them; to promote effective competition in the markets for payment systems and services – between operators, PSPs and infrastructure providers; and to promote the development of and innovation in payment systems, in particular the infrastructure used to operate those systems.

#### *Competition Regulation*

The CMA commenced a Phase 2 competition investigation into personal and SME banking in November 2014. The CMA's provisional findings were published in October 2015 in which the CMA provisionally concluded that there are features of the market that prevented, restricted or distorted competition and they have proposed a list of possible remedies. The statutory deadline for the CMA's final report has been extended to 12 August 2016.

The FCA obtained concurrent competition powers on 1 April 2015 in relation to the provision of financial services in the UK, in addition to its already existing competition objective. The FCA has commenced a programme of work to look across financial services markets and assess whether or not competition is working effectively in the best interests of consumers.

The PSR became operational in April 2015 with concurrent competition powers in respect of UK payment systems, in addition to a statutory objective to promote effective competition. The PSR has commenced market reviews into the provision of indirect access and into the ownership and competitiveness of payments infrastructure. The PSR is also the main competent authority for monitoring and enforcing the European Regulation on interchange fees in the UK.

In addition, the PRA also has a secondary objective under the Banking Reform Act to, so far as reasonably possible, act in a way which facilitates effective competition.

The UK Government has a continuing interest in competition. In November 2015, the UK Government published a document entitled “A better deal: boosting competition to bring down bills for families and firms”. This document focuses on the competition aspects of the UK Government’s productivity plan and aims to promote competition in various sectors, including financial services.

The new regulatory regime may lead to greater UK Government and regulatory scrutiny or intervention in the future, ranging from enforced product and service developments and payment system changes to significant structural changes. This could have a significant effect on the Group’s operations, financial condition or the business of the Group.

### *EU Regulation*

The Liikanen Report considered whether there is a need for structural reforms of the EU banking sector and to make relevant proposals as appropriate, with the objective of establishing a stable and efficient banking system serving the needs of citizens, the economy and the internal market. The high level expert group responsible for producing the Liikanen Report presented its recommendations to the EU Commissioner on 2 October 2012. They recommended a set of five measures that augment and complement the set of regulatory reforms already enacted or proposed by the EU, the Basel Committee and national governments. First, proprietary trading and other significant trading activities should be assigned to a separate legal entity if the activities to be separated amount to a significant share of the bank’s business. This would ensure that trading activities beyond the threshold are carried out on a stand-alone basis and separate from the deposit bank. The other measures include: emphasising the need for banks to draw up and maintain effective and realistic recovery and resolution plans; supporting the use of designated bail out instruments; applying more robust weights in the determination of minimum capital standards; and augmenting existing corporate governance reforms such as strengthening boards and management, promoting the risk management function, rein in compensation for bank management and staff, improve risk disclosure, and strengthening sanctioning powers.

On 17 January 2014, the EU Commission published a press release confirming that it intends to make a proposal for the reform of the structure of banking in the EU, which will be based on the Liikanen Report. The objective of the reforms will be to make the financial sector as a whole more robust and resilient, to reduce the impact of potential bank failures, and ensure the financial sector is at the service of the real economy. In doing so, the reforms will aim to eliminate the concept of banks being “too big to fail”. The proposed regulation included a derogation from the separate requirements for banks in EU member states which had implemented equivalent legislation before 29 January 2014 (including the UK), however the risk remains that this derogation may be removed before final agreement is reached. The form of the proposed EU regulation has been subject to much debate within the European institutions, with uncertainty surrounding both the outcome and timeline for conclusion. The EU Commission and European Parliament are yet to come to an agreement on how to implement structural reform. The main disagreements concern the need for “automatic” separation of trading activities and the level of discretion given to national competent authorities.

The UK is subject to the directives introduced under the Financial Services Action Plan. However, these directives are regularly reviewed at EU level and could be subject to change. The Group will continue to monitor the progress of these initiatives, provide specialist input on their drafting and assess the likely impact on its business.

CRD IV implements the Basel III agreement in the EU, and introduces significant changes in the prudential regulatory regime applicable to banks including: increased minimum capital ratios; changes to the definition of capital and the calculation of risk-weighted assets; and the introduction of new measures relating to leverage, liquidity and funding. CRD IV also makes changes to rules on corporate governance, including remuneration, and introduces standardised EU regulatory reporting requirements which will specify the information that must be reported to supervisors in areas such as own funds, large exposures and financial information.

*U.S. Regulation*

In the United States, Lloyds Bank maintains a branch in New York, licensed by the New York State Department of Financial Services (“**NYDFS**”) and subject to regulation and examination by the NYDFS and the Federal Reserve Bank of New York (“**FRBNY**”). BoS maintains a branch in New York (also licensed by the NYDFS and subject to regulation and examination by the NYDFS and the FRBNY) and maintains representative offices in Chicago and Houston, licensed respectively by the States of Illinois and Texas and subject to regulation and examination by the banking supervisors of those States as well as the Federal Reserve Banks in whose districts those offices are located.

The licensing authority of each U.S. branch has the authority, in certain circumstances, to take possession of the business and property of Lloyds Bank and BoS located in the state of the office it licenses. Such circumstances generally include violations of law, unsafe business practices and insolvency.

The existence of branches and representative offices in the U.S. subjects the Company and its subsidiaries doing business or conducting activities in the U.S. to oversight by the Board of Governors of the Federal Reserve System (“**Federal Reserve Board**”).

Each of the Company, Lloyds Bank, HBOS and BoS is a foreign banking organisation treated as a bank holding company within the meaning of the U.S. Bank Holding Company Act of 1956 (“**BHC Act**”) in accordance with the provisions of the International Banking Act of 1978 and each has elected, with the permission of the Federal Reserve Board, to be treated as a financial holding company under the BHC Act.

Financial holding companies may engage in a broader range of financial and related activities than are permitted to bank holding companies that do not maintain financial holding company status, including underwriting and dealing in all types of securities. To maintain financial holding company status, the Company, Lloyds Bank, HBOS and BoS are required to meet certain capital ratios and be deemed to be “well managed” for purposes of the Federal Reserve Board’s regulations. The Group’s direct and indirect activities and investments in the United States are limited to those that are “financial in nature” or “incidental” or “complementary” to a financial activity, as determined by the Federal Reserve Board. The Group is also required to obtain the prior approval of the Federal Reserve Board before acquiring, directly or indirectly, the ownership or control of more than 5 per cent. of any class of the voting shares of any U.S. bank or bank holding company.

The Group’s U.S. broker dealer, Lloyds Securities Inc is subject to regulation and supervision by the SEC and the Financial Industry Regulatory Authority with respect to its securities activities, including sales methods, trade practices, use of safekeeping of customers’ funds and securities, capital structure, recordkeeping, the financing of customers’ purchases and conduct of directors, officers and employees.

A major focus of U.S. governmental policy relating to financial institutions in recent years has been combating money laundering and terrorist financing and enforcing compliance with U.S. economic sanctions, with serious legal and reputational consequences for any failures arising in these areas. The Group engages, or has engaged, in a limited amount of business with counterparties in certain countries which the U.S. State Department currently designates as state sponsors of terrorism, including Iran, Syria, Sudan (and Cuba which was removed from the U.S. State Sponsors of Terrorism List on 29 May 2015). The Group continues to reduce its outstanding exposures to such states which have arisen through historical business activity. In accordance with this, the Group intends to engage only in new business in such jurisdictions only in very limited circumstances where the Group is satisfied concerning legal, compliance and reputational issues. At 31 December 2015, the Group does not believe that the Group’s business activities relating to countries designated as state sponsors of terrorism were material to its overall business.

The Group estimates that the value of the Group’s business in respect of such states represented less than 0.01 per cent. of the Group’s total assets and, for the year ended 31 December 2015, the Group believes that the Group’s revenues from all activities relating to such states were less than 0.001 per cent. of its total income, net of insurance claims. This information has been compiled from various sources within the Group,

including information manually collected from relevant business units, and this has necessarily involved some degree of estimate and judgement.

#### *Dodd-Frank Act*

In July 2010, the United States enacted the Dodd-Frank Act, which provides a broad framework for significant regulatory changes that extend to almost every area of U.S. financial regulation. The Dodd-Frank Act addresses, among other issues, systemic risk oversight, bank capital standards, the resolution of failing systemically significant financial institutions in the U.S., over-the-counter derivatives, restrictions on the ability of banking entities to engage in proprietary trading activities and make investments in and sponsor certain private equity funds and hedge funds (known as the “**Volcker Rule**”), asset securitisation activities and securities market conduct and oversight. U.S. regulators have implemented many provisions of the Dodd-Frank Act through detailed rulemaking. Although the majority of required rules and regulations have now been finalised, there remain many still in proposed form or yet to be proposed, the substance and impact of which may not fully be known until the final rules are published.

Under the Dodd-Frank Act, entities that are swap dealers and major swap participants must register with the U.S. Commodity Futures Trading Commission (“**CFTC**”), and entities that are security-based swap dealers or major security based swap participants will be required to register with the SEC. The CFTC has promulgated its registration rules for swap dealers and major swap participants. The SEC finalised its registration rules for security-based swap dealers and major security-based swap participants; however, the registration requirement will not be effective until certain other regulations applicable to security-based swap dealers are adopted. Lloyds Bank provisionally registered as a swap dealer in 2013 and as such, is subject to regulation and supervision by the CFTC and the National Futures Association with respect to its swap activities, including risk management, practices, trade documentation and reporting, business conduct and recordkeeping, among others.

The New York branch of Lloyds Bank is subject to the swap “push-out” provisions of the Dodd-Frank Act, which will require monitoring to ensure the Group conducts its derivatives activities in conformity with the implementing regulations. In December 2014, the swap “push out” provisions of the Dodd-Frank Act were amended such that fewer swap activities need to be pushed out of covered depository institutions.

Furthermore, the Dodd-Frank Act requires the SEC to cause issuers with listed securities, which may include foreign private issuers such as the Group, to establish a “clawback” policy to recoup previously awarded employee compensation in the event of an accounting restatement. The SEC has proposed implementing regulations which have not yet been finalised. The Dodd-Frank Act also grants the SEC discretionary rule-making authority to impose a new fiduciary standard on brokers, dealers and investment advisers, and expands the extraterritorial jurisdiction of U.S. courts over actions brought by the SEC or the United States with respect to violations of the antifraud provisions of the United States Securities Act of 1933, as amended (the “**Securities Act**”), the Securities Exchange Act of 1934 and the Investment Advisers Act of 1940.

In December 2013, U.S. regulators adopted final rules implementing the Volcker Rule. Banking entities, including foreign banking organisations subject to the BHC Act, such as the Company, Lloyds Bank, HBOS and BoS, are subject to the final rules which require banking entities to conform to the restrictions on proprietary trading activities, hedge fund and private equity activities and certain other enumerated investment restrictions, subject to a number of exclusions and exemptions that substantially limit their extraterritorial reach. Certain foreign banking entities are permitted to engage in proprietary trading from outside the United States if the trade lacks the requisite U.S. nexus and the foreign banking entity complies with the various conditions of the exemption. Investments in, and sponsorship of certain retail investment funds organised outside the United States and publicly offered predominantly outside the United States, and certain retirement and pension funds organised and administered outside the United States for the benefit of non-U.S. residents are generally permitted under the final rules. Certain foreign banking entities, but not any U.S. branch, agency or subsidiary of a foreign banking entity, nor any non-U.S. affiliate controlled by such a U.S. branch, agency or subsidiary, are also permitted to invest in and sponsor certain funds in which



ownership interests are not offered for sale or sold inside the United States or to U.S. residents and subject to other conditions. The final rules impose significant compliance and reporting obligations on banking entities. Banking entities had until 21 July 2015 to bring their activities and investments into conformity with the Volcker Rule, however, on 18 December 2014, the Federal Reserve issued an order extending the Volcker Rule's conformance period until 21 July 2016 for investments in and relationships with certain covered funds and certain foreign funds that were in place on or prior to 31 December 2013.

In February 2014, pursuant to the Dodd-Frank Act's systemic risk regulation provisions, the Federal Reserve Board adopted final rules that will apply enhanced prudential standards to the U.S. operations of large foreign banking organisations, including the Group. Under the Federal Reserve Board's final rules, a number of large foreign banking organisations will be required to establish a separately capitalised top-tier U.S. intermediate holding company ("IHC") that will hold all of the large foreign banking organisation's U.S. bank and non-bank subsidiaries, except its U.S. branches and agencies and specified types of subsidiaries. However, this requirement will not apply to a large foreign banking organisation with combined U.S. assets of less than \$50 billion, excluding assets held by its U.S. branches and agencies. The Group does not anticipate that the requirement to form an IHC, will apply to the Group. In addition, under the final rules, effective 1 July 2016, U.S. branches and agencies of foreign banking organisations with \$50 billion or more in total global consolidated assets, such as the Group, will be subject to liquidity home country capital certification and, in certain circumstances, asset maintenance requirements. These foreign banking organisations must also maintain a U.S. Risk Committee as of 1 July 2016. However, final rules for single counterparty credit limits and for early remediation have yet to be finalised.

The Dodd-Frank Act and related rules and regulations will result in additional costs and impose certain limitations and restrictions on the way that the Group conducts its business, although uncertainty remains about some of the final details, impact and timing of the implementing regulations.

## **Legal Actions and Regulatory Matters**

During the ordinary course of business the Group is subject to threatened or actual legal proceedings and regulatory reviews and investigations both in the UK and overseas. Set out below is a summary of the more significant matters.

### *Interchange fees*

With respect to multi-lateral interchange fees ("MIFs"), the Group is not directly involved in the on-going investigations and litigation (as described below) which involve card schemes such as Visa and MasterCard. However, the Group is a member of Visa and MasterCard and other card schemes.

- The European Commission continues to pursue certain competition investigations into MasterCard and Visa probing, amongst other things, MIFs paid in respect of cards issued outside the EEA; and
- Litigation continues in the English courts against both Visa and MasterCard. This litigation has been brought by several retailers who are seeking damages for allegedly "overpaid" MIFs. From publicly available information, it is understood these damages claims are running to different timescales with respect to the litigation process, and their outcome remains uncertain. It is also possible that new claims may be issued.

On 2 November 2015, Visa Inc announced its proposed acquisition of Visa Europe, which remains subject to completion. As set out in the announcement by the Group on 2 November 2015, the Group's share of the sale proceeds will comprise upfront consideration of cash (the amount of which remains subject to adjustment prior to completion) and preferred stock. The preferred stock will be convertible into Class A Common Stock of Visa Inc or its equivalent upon occurrence of certain events. As part of this transaction, the Group and certain other UK banks also entered into a Loss Sharing Agreement ("LSA") with Visa Inc, which clarifies how liabilities will be allocated between the parties should the litigation referred to above result in Visa Inc

being liable for damages payable by Visa Europe. Visa Inc may only have recourse to the LSA once €1 billion of damages have been applied to the value of the UK preferred stock received by Visa UK members (including the Group) as part of the consideration to the transaction. The value of the preferred stock will be reduced (by making a downward adjustment to the conversion rate) in an amount equal to any covered losses. The maximum amount of liability to which the Group may be subject under the LSA is capped at the cash consideration to be received by the Group. Visa Inc may also have recourse to a general indemnity, currently in place under Visa Europe's Operating Regulations, for damages claims concerning inter or intra-regional MIF setting activities.

The ultimate impact on the Group of the above investigations and the litigation against Visa and MasterCard cannot be known before the conclusion of these matters.

#### *Payment Protection Insurance*

The Group increased the provision for PPI costs by a further £4,000 million in 2015, bringing the total amount provided to £16,025 million.

This included an additional £2,100 million in the fourth quarter of 2015, largely to reflect the impact of the Group's interpretation of the proposals contained within the FCA's consultation paper regarding a potential time bar and the Plevin case. As at 31 December 2015, £3,458 million or 22 per cent. of the total provision, remained unutilised with £2,950 million relating to reactive complaints and associated administration costs.

The volume of reactive PPI complaints has continued to fall, with an 8 per cent. reduction in 2015 compared with 2014, to approximately 8,000 complaints per week. Whilst direct customer complaint levels fell 30 per cent. year-on-year, those from Claims Management Companies ("CMCs") have remained broadly stable and as a result, CMCs now account for over 70 per cent. of complaints.

On 26 November 2015, the FCA published a consultation paper ("*CP15/39: Rules and guidance on payment protection insurance complaints*") proposing (i) the introduction of a deadline by which consumers would need to make their PPI complaints including an FCA led communications campaign, and (ii) rules and guidance about how firms should handle PPI complaints in light of the Supreme Court's decision in Plevin.

Based on recent trends, and in light of the proposals from the FCA, the Group now expects a higher level of complaints than previously assumed including those related to Plevin. As a result the Group has increased the total expected reactive complaint volumes to 4.7 million with approximately 1.3 million still expected to be received. This is equivalent to approximately 10,000 net complaints per week on average through to the proposed time bar of mid-2018.

Monthly complaints trends could vary significantly throughout this period, given they are likely to be impacted by a number of factors including the potential impact of the FCA's proposed communication campaign as well as changes in the regulation of CMCs.

The provision includes an estimate to cover redress that would be payable under the FCA's proposed new rules and guidance in light of Plevin.

The Group continues to progress the re-review of previously handled cases and expects this to be substantially complete by the end of the first quarter of 2016. During the year the scope has been extended by 0.5 million to 1.7 million cases relating largely to previously redressed cases, in addition to which, higher overturn rates and average redress have been experienced. At the end of January 2016, 77 per cent. of cases had been reviewed and 77 per cent. of all cash payments made.

The Group has completed its PBR where it has been identified that there was a risk of potential mis-sale for certain customers, albeit monitoring continues. No further change has been made to the amount provided.

The Group expects to maintain the PPI operation on its current scale for longer than previously anticipated given the update to volume related assumptions and the re-review of previously handled cases continuing into the first quarter of 2016. The estimate for administrative expenses, which comprise complaint handling costs

and costs arising from cases subsequently referred to the FOS, is included in the provision increase outlined above.

#### *Sensitivities*

The Group estimates that it has sold approximately 16 million policies since 2000. These include policies that were not mis-sold. Since the commencement of the PPI redress programme in 2011 the Group estimates that it has contacted, settled or provided for almost 49 per cent. of the policies sold since 2000, covering both customer-initiated complaints and actual and PBR mailings undertaken by the Group.

The total amount provided for PPI represents the Group's best estimate of the likely future cost. However a number of risks and uncertainties remain in particular with respect to future volumes. The cost could differ materially from the Group's estimates and the assumptions underpinning them, and could result in a further provision being required. There is significant uncertainty around the impact of the proposed FCA media campaign and CMC and customer activity in the lead up to the proposed time bar.

On 26 November 2015 the FCA issued a consultation paper on the introduction of a deadline by which consumers would need to make their PPI complaints or else lose their right to have them assessed by firms or the Financial Ombudsman Service, and proposed rules and guidance concerning the handling of PPI complaints in light of the Supreme Court's decision in Plevin. The FOS is also considering the implications of Plevin for PPI complaints. The implications of potential time-barring and the Plevin decision in terms of the scope of any court proceedings or regulatory action remain uncertain.

#### *Investigation and litigation relating to interbank offered rates, and other references rates*

In July 2014, the Group announced that it had reached settlements totalling £217 million (at 30 June 2014 exchange rates) to resolve with UK and U.S. federal authorities legacy issues regarding the manipulation several years ago of Group companies' submissions to the British Bankers' Association ("BBA") London Interbank Offered Rate ("LIBOR") and Sterling Repo Rate. The Group continues to cooperate with various other government and regulatory authorities, including the Serious Fraud Office, the Swiss Competition Commission, and a number of U.S. State Attorneys General, in conjunction with their investigations into submissions made by panel members to the bodies that set LIBOR and various other interbank offered rates.

Certain Group companies, together with other panel banks, have also been named as defendants in private lawsuits, including purported class action suits, in the U.S. in connection with their roles as panel banks contributing to the setting of U.S. dollar, Japanese yen and Sterling LIBOR. The lawsuits, which contain broadly similar allegations, allege violations of the Sherman Antitrust Act, the Racketeer Influenced and Corrupt Organizations Act and the Commodity Exchange Act, as well as various state statutes and common law doctrines. Certain of the plaintiffs' claims, including those asserted under U.S. anti-trust laws, have been dismissed by the U.S. Federal Court for Southern District of New York (the "**District Court**"). That court's dismissal of plaintiffs' anti-trust claims has been appealed to the New York Federal Court of Appeal. The OTC and Exchange – Based plaintiffs' claims were dismissed in November 2015 for lack of personal jurisdiction against the Group.

Certain Group companies are also named as defendants in UK based claims raising LIBOR manipulation allegations in connection with interest rate hedging products.

It is currently not possible to predict the scope and ultimate outcome on the Group of the various outstanding regulatory investigations not encompassed by the settlements, any private lawsuits or any related challenges to the interpretation or validity of any of the Group's contractual arrangements, including their timing and scale.

#### *Litigation in relation to insurance branch business in Germany*

The Group has received a number of claims from customers relating to policies issued by CMIG (recently renamed Scottish Widows Limited) but sold by independent intermediaries in Germany, principally during the late 1990s and early 2000s. Following decisions in July 2012 from the Federal Court of Justice ("FCJ") in

Germany the Group recognised provisions totalling £520 million during the period to 31 December 2014. Recent experience has been slightly adverse to expectations and the Group has noted decisions of the FCJ in 2014 and 2015 involving German insurers in relation to a German industry-wide issue regarding notification of contractual “cooling off” periods. Accordingly, a provision increase of £25 million has been recognised giving a total provision of £545 million. The remaining unutilised provision as at 31 December 2015 is £124 million (31 December 2014: £199 million).

The validity of the claims facing the Group depends upon the facts and circumstances in respect of each claim. As a result the ultimate financial effect, which could be significantly different from the current provision, will only be known once all relevant claims have been resolved.

#### *Interest rate hedging products*

In June 2012, a number of banks, including the Group, reached agreement with the FSA (now FCA) to carry out a review of sales made since 1 December 2001 of interest rate hedging products (“IRHP”) to certain small and medium-sized businesses. As at 31 December 2015 the Group had identified 1,735 sales of IRHPs to customers within scope of the agreement with the FCA which have opted in and are being reviewed and, where appropriate, redressed. The Group agreed that it would provide redress to any in-scope customers where appropriate. The Group continues to review the remaining cases within the scope of the agreement with the FCA and has met all of the regulator’s requirements to date.

During 2015, the Group has charged a further £40 million in respect of redress and related administration costs, increasing the total amount provided for redress and related administration costs for in-scope customers to £720 million (31 December 2014: £680 million). As at 31 December 2015, the Group has utilised £652 million (31 December 2014: £571 million), with £68 million (31 December 2014: £109 million) of the provision remaining.

#### *FCA review of complaint handling*

On 5 June 2015, the FCA announced a settlement with the Group totalling £117 million following its investigation into aspects of the Group’s PPI complaint handling process during the period from March 2012 to May 2013. The FCA did not find that the Group acted deliberately. The Group has reviewed all customer complaints fully defended during the relevant period. The remediation costs of reviewing these affected cases are not materially in excess of existing provisions.

#### *Provisions for other legal actions and regulatory matters*

In the course of its business, the Group is engaged in discussions with the PRA, FCA and other UK and overseas regulators and other governmental authorities on a range of matters. The Group also receives complaints and claims from customers in connection with its past conduct and, where significant, provisions are held against the costs expected to be incurred as a result of the conclusions reached. During 2015, the Group charged an additional £655 million (2014: £430 million), including £225 million (2014: £nil) in response to complaints concerning packaged bank accounts and £282 million (2014: £318 million) in respect of other matters within the Retail division. In addition, the Group has charged a further £148 million (2014: £112 million) in respect of a number of product rectifications primarily in Insurance and Commercial Banking.

At 31 December 2015, provisions for other legal actions and regulatory matters of £813 million (31 December 2014: £521 million) remained unutilised, principally in relation to the sale of bancassurance products and packaged bank accounts and other Retail provisions.

#### *UK shareholder litigation*

In August 2014, the Group and a number of former directors were named as defendants in a claim filed in the English High Court by a number of claimants who held shares in LTSB prior to the acquisition of HBOS, alleging breaches of fiduciary and tortious duties in relation to information provided to shareholders in

connection with the acquisition and the recapitalisation of LTSB. It is currently not possible to determine the ultimate impact on the Group (if any), but the Group intends to defend the claim vigorously.

#### *Financial Services Compensation Scheme*

The FSCS is the UK's independent statutory compensation fund of last resort for customers of authorised financial services firms and pays compensation if a firm is unable or likely to be unable to pay claims against it. The FSCS is funded by levies on the authorised financial services industry. Each deposit-taking institution contributes towards the FSCS levies in proportion to their share of total protected deposits on 31 December of the year preceding the scheme year, which runs from 1 April to 31 March.

Following the default of a number of deposit takers in 2008, the FSCS borrowed funds from HM Treasury to meet the compensation costs for customers of those firms. At 31 March 2015, the end of the latest FSCS scheme year, the principal balance outstanding on these loans was £15,797 million (31 March 2014: £16,591 million). Although the substantial majority of this loan will be repaid from funds the FSCS receives from asset sales, surplus cash flow or other recoveries in relation to the assets of the firms that defaulted, any shortfall will be funded by deposit-taking participants of the FSCS. The amount of future levies payable by the Group depends on a number of factors including the amounts recovered by the FSCS from asset sales, the Group's participation in the deposit-taking market at 31 December, the level of protected deposits and the population of deposit-taking participants.

#### *Tax authorities*

The Group provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to tax authorities including open matters where Her Majesty's Revenue and Customs ("HMRC") adopt a different interpretation and application of tax law. The Group has an open matter in relation to a claim for group relief of losses incurred in its former Irish banking subsidiary, which ceased trading on 31 December 2010. In 2013 HMRC informed the Group that their interpretation of the UK rules, permitting the offset of such losses, denies the claim; if HMRC's position is found to be correct management estimate that this would result in an increase in current tax liabilities of approximately £600 million and a reduction in the Group's deferred tax asset of approximately £400 million. The Group does not agree with HMRC's position and, having taken appropriate advice, does not consider that this is a case where additional tax will ultimately fall due. There are a number of other open matters on which the Group is in discussion with HMRC; none of these is expected to have a material impact on the financial position of the Group.

#### *Residential mortgage reposessions*

In August 2014, the Northern Ireland High Court handed down judgment in favour of the borrowers in relation to three residential mortgage test cases, concerning certain aspects of the Group's practice with respect to the recalculation of contractual monthly instalments of customers in arrears. The FCA has indicated that it is considering whether to issue a consultation paper in relation to industry practice in this area. The Group will respond as appropriate to this and any investigations, proceedings or regulatory action that may in due course be instigated as a result of these issues.

*Enhanced Capital Notes (“ECNs”)*

In 2015, the Group participated in the UK-wide concurrent stress testing run by the Bank of England; the ECNs in issue were not taken into account for the purposes of core capital in the PRA stress tests and the Group has determined that a Capital Disqualification Event (“CDE”), as defined in the conditions of the ECNs, has occurred. This determination was confirmed by a unanimous decision by the Court of Appeal on 10 December 2015 and on 29 January 2016 the Group announced the redemption of certain series of ECNs using the Regulatory Call Right. The Group also completed tender offers for the remaining series of ECNs and has subsequently redeemed all outstanding ECNs not validly tendered using the Regulatory Call Right. The offers and redemptions resulted in a net loss to the Group in Q1 2016 of £790 million, principally comprising the write-off of the embedded equity conversion feature in the ECNs and premiums paid under the terms of the tender offers.

The trustee of the ECNs was granted leave by the Supreme Court to appeal the Court of Appeal decision. The appeal was heard on 21 March 2016 but the Supreme Court has not handed down its judgment as at the date of this Prospectus. In the event that the Supreme Court were to determine that a CDE had not occurred, the Group would compensate fairly the holders of the ECNs whose securities were redeemed using the Regulatory Call Right for losses suffered as a result of early redemption.

*Contingent liabilities in respect of other legal actions and regulatory matters*

In addition, during the ordinary course of business the Group is subject to other complaints and threatened or actual legal proceedings (including class or group action claims) brought by or on behalf of current or former employees, customers, investors or other third parties, as well as legal and regulatory reviews, challenges, investigations and enforcement actions, both in the UK and overseas. All such material matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Group incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established to management’s best estimate of the amount required at the relevant balance sheet date. In some cases it will not be possible to form a view, for example because the facts are unclear or because further time is needed properly to assess the merits of the case, and no provisions are held in relation to such matters. However the Group does not currently expect the final outcome of any such case to have a material adverse effect on its financial position, operations or cash flows.

**Major Shareholders and Related Party Transactions***Major Shareholders*

As at 31 December 2015, 31 December 2014 and 31 December 2013, the Company had received notification from the Solicitor for the Affairs of HM Treasury that it had a direct interest of 9.9 per cent., 24.9 per cent. and 32.7 per cent. respectively in the Company’s issued ordinary share capital with rights to vote in all circumstances at general meetings. Based solely on the Schedule 13-G (*Statement of acquisition of beneficial ownership by individuals*) filed by BlackRock, Inc. with the SEC dated 9 February 2016, as at 31 December 2015, BlackRock, Inc. beneficially owned 6.8 per cent. (representing 4,847,496,882 ordinary shares) of the Company’s issued ordinary share capital. Prior to 31 December 2015, BlackRock, Inc.’s ownership in the Company was not required to be disclosed under SEC rules. Based on the Form TR1 (*Notification Of Major Interest In Shares*) filed with the FCA dated 4 April 2016, as at 1 April 2016, Norges Bank beneficially owned 3.01 per cent. (representing 2,148,038,724 shares) of the Company’s issued ordinary share capital. As at 13 May 2016 no other notification has been received that anyone has an interest of 3 per cent. or more in the Company’s issued ordinary share capital. Further information on HM Treasury’s shareholding in the Company is provided in “*Information about the Lloyds Banking Group’s relationship with the UK Government and Business — History and Development of Lloyds Banking Group*”.

All shareholders within a class of the Company’s shares have the same voting rights.

As at 31 December 2015, the Company had 2,562,598 registered ordinary shareholders. The majority of the Company’s ordinary shareholders are registered in the UK. 1,410,222,797 ordinary shares, representing 1.98

per cent. of the Company's issued share capital, were held by BNY Mellon as depositary for the ordinary share American depositary share programme through which there were 168 record holders.

Additionally, the majority of the Company's preference shareholders are registered in the UK, with a further one record holder with an address in the United States registered through the Company's preference share American depositary share programme.

### ***Related Party Transactions***

The Group, as at 31 December 2015, had related party transactions with 20 key management personnel, certain of its pension funds, collective investment schemes and joint ventures and associates and TSB and TSB Bank. See note 48 to the financial statements contained in the Company's 2015 Annual Report. In addition, until the sale of its stake in TSB in June 2015 (further detailed below), the Group was a party to related party transactions with TSB and TSB Bank. Material contracts with TSB and TSB Bank are described in the "*Information about the Lloyds Banking Group's relationship with the TSB Group*" section below and material contracts with HM Treasury are described in the "*Information about the Lloyds Banking Group's relationship with the UK Government*" section below.

Following the initial public offering in June 2014 TSB and TSB Bank became related parties of the Group. The Group has entered into a number of contracts with TSB and TSB Bank for the provision of a range of banking operations services. In June 2015, the sale of the Group's remaining stake in TSB was completed.

The UK Government through HM Treasury became a related party of the Group in January 2009, and from 1 January 2011, in accordance with IAS 24, UK Government-controlled entities became related parties of the Group. Prior to 11 May 2015, HM Treasury held more than 20 per cent. of the Company's ordinary share capital and consequently HM Treasury remained a related party of the Company for IAS 24 purposes until that date. The Group regarded the Bank of England and entities controlled by the UK Government, including The Royal Bank of Scotland Group plc ("**RBS**"), NRAM plc and Bradford & Bingley plc, as related parties for that period of time also.

Except as described below under "*Information about the Lloyds Banking Group's relationship with the UK Government*", there are no transactions to which the Group is a party involving the UK Government or any body controlled by the UK Government which are material to the Group or, to the Group's knowledge, to the UK Government or any UK Government-controlled body, that were not made in the ordinary course of business, or that are unusual in their nature or conditions. However, considering the nature and scope of the bodies controlled by the UK Government, it may be difficult for the Group to know whether a transaction is material for such a body.

To the best of the Group's knowledge, any outstanding loans made by the Group to or for the benefit of the UK Government, any body controlled by the UK Government or other related parties, were made (1) in the ordinary course of business; (2) on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other persons; (3) did not involve more than the normal risk of collectability or present other unfavourable features, and (4) on an arm's length basis.

The Group also engages in numerous transactions on arm's length commercial terms in the ordinary course of its business with the UK Government and its various departments and agencies, as well as with other companies in which the UK Government has invested. This includes financings, lending, banking, asset management and other transactions with UK financial institutions in which the UK Government has invested. Since 2010, the Group made use of these measures in order to maintain and improve a stable funding position.

### ***Information about the Lloyds Banking Group's relationship with the TSB Group***

On 9 June 2014, an initial public offering of ordinary shares of one pence each in the capital of TSB was made (the "**Offer**") and such ordinary shares issued were admitted to the premium listing segment of the Official List of the FCA and to trading on the main market of the London Stock Exchange plc (the "**London Stock Exchange**") for listed securities (together, "**Admission**"). At the time of the Offer, TSB had one

principal subsidiary, TSB Bank, a company incorporated in Scotland which carried on a retail banking business operating in the UK. Until Admission, TSB was a wholly-owned subsidiary of Lloyds Bank which is a wholly owned subsidiary of the Company. Pursuant to the Offer, Lloyds Bank sold 192,500,000 ordinary shares in the capital of TSB, representing 38.5 per cent. of the ordinary share capital of TSB. On 26 September 2014, the Group announced that it had sold a further 57.5 million ordinary shares in TSB, representing approximately 11.5 per cent. of TSB's ordinary share capital, reducing the Group's holding in TSB to approximately 50 per cent. of TSB's ordinary share capital. On 20 March 2015, the Group announced that it had agreed to sell a 9.99 per cent. interest in TSB to Sabadell and that it had entered into an irrevocable undertaking to accept in respect of its entire remaining 40.01 per cent. shareholding in TSB the recommended cash offer for TSB by Sabadell pursuant to which Sabadell would acquire the entire issued and to be issued share capital of TSB. On 30 June 2015, the Group announced the completion of the sale of its remaining 40.01 per cent. stake in TSB to Sabadell.

Pursuant to the terms of the Offer, certain agreements, discussed below, were entered into by the Company and other parties, which became effective on Admission.

### ***Separation Agreement***

TSB, TSB Bank and Lloyds Bank entered into a separation agreement on 9 June 2014 (the "**Separation Agreement**"). The Separation Agreement governs the separation of the TSB Group from Lloyds Banking Group and certain aspects of the relationship between the TSB Group and Lloyds Banking Group following Admission, including (amongst other things) the allocation of certain pre-Admission liabilities, including liability for breach of law and regulation and of customer terms and conditions.

Under the terms of the Separation Agreement, Lloyds Bank agreed to provide each member of the TSB Group with indemnity protections in respect of historical, pre-Admission issues (including issues in relation to the period between 9 September 2013, when TSB launched as a stand-alone bank, and Admission). This protection includes a broad and, save in certain limited respects, uncapped indemnity in respect of losses arising from pre-Admission acts or omissions that constitute breaches of law and regulation relating to customer agreements or the relevant security interest securing liability under such agreements (the "**Conduct Indemnity**"). The Conduct Indemnity provides TSB Group with economic protection against a wide range of types of losses resulting from historical conduct issues, including the costs of handling and settling customer claims and managing regulatory actions and investigations, the payment of regulatory or court imposed fines and penalties, the costs of any required customer redress, the costs of implementing required changes to systems and procedures and, subject to certain conditions and limitations, the costs of remedial marketing activity.

The Conduct Indemnity also provided the TSB Group with a limited period of continued protection for actions or omissions between Admission and 31 December 2014. Further indemnities were included in the Separation Agreement in respect of losses arising from certain persistent or systemic breaches and certain liabilities in respect of certain employment related litigation and in relation to Lloyds Banking Group pension schemes.

### ***Transitional Services Agreements***

TSB Bank and Lloyds Bank entered into a Transitional Services Agreement ("**TSA**") and a Long Term Services Agreement (the "**LTSA**") on 9 June 2014. Under the TSA, Lloyds Bank provides certain IT and operational services to TSB, on a transitional basis, for a term of up to the end of 31 December 2016 with certain services (including the IT services) continuing to be provided by Lloyds Bank to TSB on and from 1 January 2017 for a term of up to seven and a half years under the LTSA.

TSB Bank pays a core monthly service charge that includes an agreed baseline of service volumes. TSB Bank may terminate the TSA or the LTSA (or services thereunder) for cause or for convenience before its expiry date subject to minimum notice requirements. Lloyds Bank may only terminate the TSA or LTSA if required to do so by a regulatory authority or by law, or for non-payment of material charges by TSB Bank.



The LTSA outlines the respective responsibilities of each of TSB Bank and Lloyds Bank in relation to exit and provides a mechanism for the parties to continue to define and agree their respective obligations in detailed technical and commercial exit plans during the 12 months following Admission. Due to the critical nature of the IT services, Lloyds Bank and TSB Bank have defined in advance some specific transfer and migration options for TSB's IT operations and data to a third party provider or another financial institution with whom TSB enters into a merger or acquisition, as the case may be, to operate on TSB's behalf. Lloyds Bank would assume the cost of creating and transferring a clone operating system to a third party operator, subject to a £50 million contribution from TSB or, alternatively, if TSB exits the IT services via another migration option, Lloyds Bank has agreed to make a £450 million contribution to TSB's costs of undertaking the migration, and TSB may elect to spend some or all of the £450 million obtaining exit assistance services from Lloyds Bank. With certain exceptions, Lloyds Bank has agreed to support the exit of the services (including both IT services and non-IT services) on a time and materials at cost basis.

### ***Mortgage Sale and Servicing Agreements***

On 4 March 2014, TSB Bank and BoS entered into a mortgage sale agreement in relation to the equitable assignment (which took effect from 28 February 2014) of a portfolio of residential mortgages ("**Additional Mortgages**") transferred by BoS to TSB Bank ("**MSA**") as well as a mortgage servicing agreement ("**Servicing Agreement**"). Pursuant to the MSA, TSB Bank purchased the equitable interest of BoS in the Additional Mortgages for approximately £3.4 billion (being equal to the fair value of the Additional Mortgages at the time of transfer. Under the terms of the MSA, legal title in the Additional Mortgages has remained and will remain with BoS unless a perfection event occurs (namely an insolvency event in relation to BoS, specified material breach by BoS of its obligations under the MSA or following termination of the appointment of BoS as servicer under the MSA at the option of TSB Bank). Unless and until any such perfection event occurs, the Additional Mortgage customers remain customers of BoS. In the Servicing Agreement, BoS agreed to service the Additional Mortgages, including all aspects of the customer relationship, in return for the payment by TSB Bank of a monthly servicing fee equivalent to 0.12 per cent. per annum of the outstanding balance of the Additional Mortgages (subject to a minimum monthly fee of £175,000 from 1 July 2018).

### ***RMBS Funding Facility Agreements***

On 20 May 2014, TSB Bank and a special purpose vehicle established by TSB Bank ("**TSB RMBS SPV**") and others entered into the RMBS Mortgage Sale Agreement, and the same parties, together with Lloyds Bank and others entered into a variable funding note issuance deed ("**VFNID**") and other ancillary documents in relation to the securitisation structure by which TSB part-funds the Additional Mortgages (the "**RMBS Funding Facility**").

Under the terms of the VFNID, senior funding is raised by TSB RMBS SPV through a combination of drawings on a variable funding note ("**VFN**") issued by TSB RMBS SPV to Lloyds Bank (the "**Lloyds VFN**"), and TSB Bank. Subject to certain conditions, up until 17 December 2018, TSB RMBS SPV has the option to repay and redraw the Lloyds VFN (in whole or in part).

### ***Information about the Lloyds Banking Group's relationship with the UK Government***

#### ***HM Treasury Shareholding***

As at 13 May 2016 HM Treasury held approximately 9 per cent of the Company's issued share capital with rights to vote in all circumstances at general meetings. HM Treasury's percentage holding has reduced from 24.9 per cent. at 31 December 2014 by way of the pre-arranged trading plan referred to in the section headed "*Business – History and Development of Lloyds Banking Group*".

HM Treasury's shareholding in the Company is a consequence of its subscription for equity securities of the Company and of HBOS (prior to the acquisition of HBOS by the Company) in a placing and open offer and preference share subscription, the concomitant placing and open offer by HBOS, the 2009 placing and open offer and the Company's 2009 rights issue.

HM Treasury's shareholding in the Company is currently managed by UKFI on behalf of HM Treasury. This relationship falls within the scope of the revised framework document between HM Treasury and UKFI published on 1 October 2010 – for more information see “*Risk Factors — Government Related Risks — The Solicitor for the Affairs of HM Treasury is the largest shareholder of the Company. Through its shareholding in, and other relationships with, the Company, HM Treasury is in a position to exert significant influence over the Group and its business*”.

The goals of the framework document are consistent with the stated public policy aims of HM Treasury, as articulated in a variety of public announcements. In the publication “*An Introduction: Who We Are, What We Do and the Framework Document Which Governs the Relationship Between UKFI and HM Treasury*”, it is stated that UKFI is to “develop and execute an investment strategy for disposing of the investments in the banks in an orderly and active way through sale, redemption, buy-back or other means within the context of an overarching objective of protecting and creating value for the taxpayer as shareholder, paying due regard to the maintenance of financial stability and to acting in a way that promotes competition”. It further states that UKFI will manage the shareholdings of UK financial institutions in which HM Treasury holds an interest “on a commercial basis and will not intervene in day-to-day management decisions of the Investee Companies (as defined therein) (including with respect to individual lending or remuneration decisions)”.

The Company and HM Treasury in January 2009 entered into a registration rights agreement granting customary demand and “piggyback” registration rights in the United States under the Securities Act to HM Treasury with respect to any ordinary shares of the Group held by HM Treasury. The agreement was amended in June 2009 to include as registrable securities the new shares subscribed for by HM Treasury in the 2009 placing and open offer, any other securities in the Company called by HM Treasury to be issued by any person and any securities issued by HM Treasury which are exchangeable for, convertible into, give rights over or are referable to any such securities. The Company also in June 2009 entered into a resale rights agreement with HM Treasury in which it agreed to provide its assistance to HM Treasury in connection with any proposed sale by HM Treasury of ordinary shares, other securities held by HM Treasury in the Company or any securities of any description caused by HM Treasury to be issued by any person which are exchangeable for, convertible into, give rights over or are referable to such ordinary shares or other securities issued by the Group, to be sold in such jurisdictions (other than the United States) and in such manner as HM Treasury may determine.

#### *Other related party transactions with the UK Government*

#### **Government and Central Bank Facilities**

During the year ended 31 December 2015, the Group participated in a number of schemes operated by the UK Government and central banks and made available to eligible banks and building societies.

#### **National Loan Guarantee Scheme**

The Group participates in the UK Government's National Loan Guarantee Scheme, which was launched on 20 March 2012. Through the scheme, the Group is providing eligible UK businesses with discounted funding based on the Group's existing lending criteria. Eligible businesses who have taken up the funding benefit from a 1 per cent. discount on their funding rate for a pre-agreed period of time.

#### **Funding For Lending**

In August 2012, the Group announced its support for the UK Government's Funding for Lending Scheme and confirmed its intention to participate in the scheme. The Funding for Lending Scheme represents a further source of cost effective secured term funding available to the Group. The original initiative supported a broad range of UK based customers, providing householders with more affordable housing finance and businesses with cheaper finance to invest and grow. In November 2013, the Group entered into extension letters with the Bank of England to take part in an extension of the Funding for Lending Scheme until the end of January 2015. This extension of the Funding for Lending Scheme focused on providing businesses with cheaper finance to invest and grow. In December 2014, the Bank of England announced a further extension to the

Funding for Lending Scheme running to the end of January 2016 with an increased focus on supporting small businesses. In November 2015, the Bank of England announced that the deadline for banks to draw down their borrowing allowance would be extended for two years until 31 January 2018. At 31 December 2015, the Group had drawn down £32 billion (31 December 2014: £20 billion) under the Funding for Lending Scheme, of which £22 billion had been drawn down under the extension to the scheme announced in 2013.

### **Enterprise Finance Guarantee**

The Group participates in the Enterprise Finance Guarantee Scheme which was launched in January 2009 as a replacement for the Small Firms Loan Guarantee Scheme. The scheme is a UK Government-backed loan guarantee, which supports viable businesses with access to lending where they would otherwise be refused a loan due to a lack of lending security. The Department for Business, Innovation and Skills (formerly the Department for Business, Enterprise and Regulatory Reform) provides the lender with a guarantee of up to 75 per cent. of the capital of each loan subject to the eligibility of the customer within the rules of the scheme. As at 31 December 2015, the Group had offered 6,509 loans to customers, worth over £550 million. Under the most recent renewal of the terms of the scheme, Lloyds Bank and BoS, on behalf of the Group, contracted with the Secretary of State for Business, Innovation and Skills.

### **Help To Buy**

On 7 October 2013, BoS entered into an agreement with the Commissioners of HM Treasury by which it agreed that the Halifax Division of BoS would participate in the Help to Buy Scheme with effect from 11 October 2013 and that Lloyds Bank would participate from 3 January 2014. The Help to Buy Scheme is a scheme promoted by the UK Government and is aimed to encourage participating lenders to make mortgage loans available to customers who require higher loan-to-value mortgages. Halifax and Lloyds are currently participating in the Help to Buy Scheme whereby customers borrow between 90 per cent. and 95 per cent. of the purchase price. In return for the payment of a commercial fee, HM Treasury has agreed to provide a guarantee to the lender to cover a proportion of any loss made by the lender arising from a higher loan-to-value loan being made. £3,133 million of outstanding loans at 31 December 2015 (31 December 2014: £1,950 million) had been advanced under this scheme.

### **Business Growth Fund**

As at 31 December 2015, the Group had invested £176 million (31 December 2014: £118 million) in the Business Growth Fund (under which an agreement was entered into with RBS amongst others) and carried the investment at a fair value of £170 million (31 December 2014: £105 million).

### **Big Society Capital**

As at 31 December 2015, the Group had invested £36 million (31 December 2014: £31 million) in the Big Society Capital Fund under which an agreement was entered into with RBS amongst others.

### **Housing Growth Partnership**

As at 31 December 2015, the Group has committed to invest up to £50 million into the Housing Growth Partnership under which an agreement was entered into with the Homes and Communities Agency.

### **Central bank facilities**

In the ordinary course of business, the Group may from time to time access market-wide facilities provided by central banks.

### **Other Government-related entities**

Other than the transactions referred to above, there were no other significant transactions with the UK Government and UK Government-controlled entities (including UK Government-controlled banks) during the period that were not made in the ordinary course of business or that were unusual in their nature or conditions.

*Other relationships with the UK Government*

The Group, in common with other financial institutions, is also working closely with a number of UK Government departments and agencies on various industry-wide initiatives that are intended to support the UK Government's objective of economic recovery and greater stability in the wider financial system.

For more detail on industry-wide initiatives see sections "*Major Shareholders and Related Party Transactions – Other related party transactions with the UK Government – Business Growth Fund*" and "*Major Shareholders and Related Party Transactions – Other related party transactions with the UK Government – Big Society Capital*" above.

*Other related party transactions*

Other related party transactions for the twelve months to 31 December 2015 are similar in nature to those for the year ended 31 December 2014.

**Directors of the Bank and the Company**

The directors of the Bank and the Company, the business address of each of whom is 25 Gresham Street, London EC2V 7HN, England, and their respective principal outside activities, where significant to the Group, are as follows:

<b>Name</b>	<b>Principal outside activities</b>
<b>Lord Blackwell (63)</b> Chairman	None
<b>Executive directors</b>	
<b>António Horta-Osório (52)</b> Group Chief Executive	Non-executive Director of EXOR S.p.A., Fundação Champalimaud and Sociedade Francisco Manuel dos Santos in Portugal, a member of the Board of Stichting INPAR and Chairman of the Wallace Collection.
<b>Juan Colombás (53)</b> Chief Risk Officer	Vice Chairman of the International Financial Risk Institute.
<b>George Culmer (53)</b> Chief Financial Officer	None
<b>Non-executive directors</b>	
<b>Alan Dickinson (65)</b>	Non-executive director of Willis Limited and Chairman of its Risk Committee. Chairman of Urban & Civic plc and a Governor of Motability.
<b>Anita Frew (58)</b> (Deputy Chairman)	Non-executive Director of BHP Billiton and Chairman of Croda International Plc.
<b>Simon Henry (54)</b>	Chief Financial Officer and Executive Director of Royal Dutch Shell plc. Member of Main Committee of the 100 Group of UK FTSE CFOs and Chair of European Round Table CFO Taskforce. Also a member of the Advisory Panel of CIMA and of the Advisory Board of the Centre for European Reform.
<b>Nick Luff (49)</b>	Executive Director and Chief Financial Officer of RELX Group.
<b>Deborah McWhinney (61)</b>	Independent Director of Fluor Corporation and IHS

Name	Principal outside activities
	Corporation, a Trustee of the California Institute of Technology and of the Institute for Defense Analyses and a member of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA.
<b>Nick Prettejohn (55)</b>	Member of the BBC Trust, Chairman of the Britten-Pears Foundation and Chairman of the Royal Northern College of Music.
<b>Stuart Sinclair (62)</b>	Non-Executive Director and Chair of the Risk Committees at Provident Financial Plc, Vitality Life and Vitality Health. Senior Independent Director at QBE Insurance (Europe) Limited and Swinton Group Limited.
<b>Anthony Watson CBE (71)</b> (Senior Independent Director)	Senior Independent Director of Witan Investment Trust. Chairman of Lincoln's Inn Investment Committee and member of the Norges Bank Investment Management Corporate Governance Advisory Board.
<b>Sara Weller CBE (54)</b>	Non-executive director of United Utilities Group plc and Chair of its Remuneration Committee and a Governing Council Member of Cambridge University. Also Chairman of the Planning Inspectorate and Board member at the Higher Education Funding Council.

None of the directors of the Bank and the Company has any actual or potential conflict between their duties to the Bank or Company and their private interests or other duties as listed above.

## TAXATION

*This section sets out a summary of certain taxation considerations relating to the Notes.*

### 1 General

The following comments are of a general nature, are based on the Issuers' understanding of current law and practice and are included in this document solely for information purposes. These comments are not intended to be, nor should they be regarded as, legal or tax advice. The precise tax treatment of a holder of a Note will depend for each issue on the terms of the Note, as specified in the applicable Conditions under the law and practice at the relevant time. These comments assume there will be no substitution of the relevant Issuer and do not address the consequences of any such substitution (notwithstanding that such substitution may be permitted by the terms and conditions of the Notes). Prospective holders of Notes should consult their own tax advisers in all relevant jurisdictions to obtain advice about their particular tax treatment in relation to such Notes. In particular, no representation is made as to the manner in which payments under the Notes would be characterised by any relevant taxing authority.

### 2 United Kingdom Taxation

The comments below are of a general nature based on certain aspects of current United Kingdom tax law as applied in England and Wales and HMRC practice (which may not be binding on HMRC) and are not intended to be exhaustive. They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of their Notes, and may not apply to certain classes of persons such as dealers, certain professional investors, or persons connected with the relevant Issuer. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Any Noteholders who are in doubt as to their own tax position, or who may be subject to tax in a jurisdiction other than the United Kingdom, should consult their professional advisers.

#### 2.1 Withholding Tax on Payments of Interest

(a) *Exemption for interest payments in respect of Notes listed on a recognised stock exchange*

Where the Notes are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007 ("ITA 2007"), payments of interest (including, for the purposes of this section, any premium on redemption which is deemed to constitute a payment of interest) by the Issuers on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax. The London Stock Exchange is a recognised stock exchange for the purposes of section 1005 of ITA 2007. Notes will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part VI of the Financial Services and Markets Act 2000) by the UK Listing Authority and admitted to trading on the London Stock Exchange.

(b) *Exemption for interest payments made in the ordinary course of the Bank's business*

In addition (regardless of whether or not the Notes are listed on a recognised stock exchange described above), payments of interest by the Bank on the Notes may be made without withholding or deduction for an account of United Kingdom income tax provided that it continues to be a bank within the meaning of section 991 of ITA 2007 and provided that the interest on the Notes is paid in the ordinary course of its business within the meaning of section 878 of ITA 2007.

*(c) Exemption for interest payments to certain Noteholders*

Interest on the Notes may also generally be paid without withholding or deduction for or on account of United Kingdom income tax where at the time interest on the Notes is paid, the relevant Issuer reasonably believes either:

- (i) that the beneficial owner is a United Kingdom resident company or is a non-United Kingdom resident company which is within the charge to United Kingdom corporation tax as regards the payment of interest; or
- (ii) that the payment is made to one of the bodies or persons, and in accordance with any applicable conditions, set out in sections 935 to 937 of the Act,

provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

*(d) Exemption for interest payments in respect of Notes with a maturity of less than 365 days*

Interest on Notes with a maturity of less than one year and which are not issued with the intention, or under a scheme or arrangement the effect of which is, that such notes form part of a borrowing intended to be capable of remaining outstanding for a year or more may be paid without withholding or deduction for or on account of United Kingdom tax.

*(e) Withholding in other situations*

In all other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any direction to the contrary by HMRC under an applicable double taxation treaty.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom for tax purposes may be able to recover all or part of the tax deducted under an applicable double taxation treaty.

In addition, an amount for or on account of United Kingdom income tax at the basic rate may have to be withheld on payments on Notes where such payments do not constitute interest for United Kingdom tax purposes but instead constitute annual payments for United Kingdom tax purposes, subject to the availability of exemptions or reliefs or subject to any direction to the contrary from HMRC in respect of such relief as may be available under an applicable double taxation treaty.

*(f) Taxation of Interest in other Circumstances*

Interest with a United Kingdom source may be chargeable to United Kingdom tax by direct assessment. Where the interest is paid without withholding or deduction for or on account of United Kingdom tax, the interest will not be assessed to United Kingdom tax in the hands of holders of the Notes (other than certain trustees) who are not resident for tax purposes in the United Kingdom, except where such persons carry on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Notes are attributable or (in the case of companies) such persons carry on a trade in the United Kingdom through a permanent establishment in the United Kingdom in connection with which the interest is received or to which the Notes are attributable, in which case United Kingdom tax may be levied on the United Kingdom branch, agency or permanent establishment. There are exemptions for interest received by certain categories of agent.

Noteholders should recognise that the provisions relating to additional amounts referred to in “*Terms and Conditions of the Notes — Taxation*” would not apply if HMRC sought to assess directly the person entitled to the relevant interest to United Kingdom tax. However, exemption from, or reduction of, such United Kingdom tax liability might be available under an applicable double taxation treaty.

## 2.2 United Kingdom Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

Depending on the terms and conditions of the relevant Notes (including, but not limited to, whether the Notes are in bearer or registered form), UK stamp duty or SDRT may be payable on the issue, or subsequent transfer of such Notes. Prospective Noteholders should take their own advice from an appropriately qualified professional adviser in this regard.

However, recent European and domestic court decisions have indicated that the charge to stamp duty reserve tax on the issue or transfer of debt securities into a clearing system or depositary receipt system is contrary to European law, and hence should not apply, where it is levied on a transaction which forms an integral part of a raising of capital. HMRC's published practice states that, in light of those decisions, it will not collect such stamp duty reserve tax on the issue, or (where integral to the raising of capital) the transfer, of Notes into a clearing system or depositary receipt system, provided that the Notes comprise loans raised by the issue of debentures or by other negotiable securities for the purposes of Article 5(2)(b) of the Capital Duty Directive (2008/7/EC).

## 3 The Proposed Financial Transactions Tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are expected to be exempt.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## 4 U.S. Withholding on Dividend Equivalent Payments

A “dividend equivalent” payment is treated as a dividend from sources within the United States for U.S. federal income tax purposes (including FATCA). Unless reduced by an applicable tax treaty with the United States and subject to any withholding that may be imposed pursuant to FATCA, such payments generally will be subject to U.S. withholding tax. A “dividend equivalent” payment is defined under the Code as (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from



sources within the United States, (ii) a payment made pursuant to a “specified notional principal contract” (a “**specified NPC**”) that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the U.S. Internal Revenue Service (the “**IRS**”) to be substantially similar to a payment described in the preceding clauses (i) and (ii).

Final U.S. Treasury regulations expand the definition of dividend equivalent payment to include any payment that references the payment of a dividend from an underlying security pursuant to a specified equity-linked instrument (a “**specified ELI**”), and any other substantially similar payment. An underlying security is any interest in an entity if a payment with respect to that interest could give rise to a U.S. source dividend pursuant to U.S. Treasury regulations Section 1.861-3. An equity-linked instrument (“**ELI**”) is a financial instrument (other than a securities lending or sale-repurchase transaction or an notional principal contract (“**NPC**”)) that references the value of one or more underlying securities, including a futures contract, forward contract, option, debt instrument, or other contractual arrangement. A “Section 871(m) transaction” is any securities lending or sale-repurchase transaction, specified NPC, or specified ELI.

For payments made before 1 January 2017, the applicable U.S. Treasury regulations provide that a specified NPC is any NPC if (a) in connection with entering into the contract, any long party to the contract transfers the underlying security to any short party to the contract, (b) in connection with the termination of the contract, any short party to the contract transfers the underlying security to any long party to the contract, (c) the underlying security is not readily tradable on an established securities market, or (d) in connection with entering into the contract, the underlying security is posted as collateral by any short party to the contract with any long party to the contract. An NPC that is treated as a specified NPC pursuant to the preceding rule will remain a specified NPC on or after 1 January 2017. With respect to transactions issued on or after 1 January 2017, (a) a “simple” NPC or “simple” ELI that has a delta of .8 or greater with respect to an underlying security when the NPC or ELI is issued is a specified NPC or specified ELI, respectively, and (b) a “complex” NPC or “complex” ELI that meets a substantial equivalence test with respect to an underlying security at the time of issuance is a specified NPC or specified ELI, respectively.

A “simple” NPC or “simple” ELI is an NPC or ELI for which, with respect to each underlying security, (i) all amounts to be paid or received on maturity, exercise, or any other payment determination date are calculated by reference to the appropriate single, fixed number of shares of the underlying security, provided that the number of shares can be ascertained when the contract is issued, and (ii) the contract has a single maturity or exercise date with respect to which all amounts (other than any upfront payment or any periodic payments) are required to be calculated with respect to the underlying security. A contract has a single exercise date even though it may be exercised by the holder at any time on or before the stated expiration of the contract. An NPC or ELI that includes a term that discontinuously increases or decreases the amount paid or received (such as a digital option), or that accelerates or extends the maturity is not a simple ELI or simple NPC. A “complex” NPC or “complex” ELI is any NPC or ELI, respectively, that is not a simple NPC or a simple ELI, respectively. Delta is the ratio of the change in the fair market value of the contract to a small change in the fair market value of the number of shares of the underlying security.

The substantial equivalence test measures the change in value of a complex contract when the price of the underlying security referenced by that contract is hypothetically increased by one standard deviation or decreased by one standard deviation and compares the change in value with the change in value of the shares of the equity that would be held to hedge the complex contract over an increase or decrease in the price of the equity by one standard deviation. If the proportionate difference between (a) the change in value of the complex contract and (b) the change in value of its hedge, is no greater than the proportionate difference between (i) the change in value of a “benchmark simple contract” with respect to the same shares with a delta of .8 and (ii) the change in value of its hedge, then the complex contract is substantially equivalent to the underlying security and dividend equivalent payments with respect to it are subject to withholding. The “benchmark simple contract” is a closely-comparable simple contract that, at the time the complex contract is

issued, has a delta of 0.8, references the applicable underlying security referenced by the complex contract, and has the same maturity as the complex contract with respect to the applicable underlying security.

If an NPC or ELI contains more than one reference to a single underlying security, all references to that underlying security are taken into account in determining the delta with respect to that underlying security. If an NPC or ELI references more than one underlying security or other property, the delta with respect to each underlying security must be determined without taking into account any other underlying security or property. The applicable U.S. Treasury regulations provide an exception for qualified indices that satisfy certain criteria. The applicable U.S. Treasury regulations provide that a payment includes a dividend equivalent payment whether there is an explicit or implicit reference to a dividend with respect to the underlying security.

Upon the issuance of a Note, the relevant Issuer will state in an attachment to the Pricing Supplement or on such Issuer's website if it has determined that such issuance constitutes a Section 871(m) transaction and may provide additional information regarding the application of the applicable U.S. Treasury regulations to the Notes. An Issuer's determination regarding the application of Section 871(m) is binding on holders of the Notes, but it is not binding on the IRS. In accordance with the applicable effective dates, the relevant Issuer will treat any portion of a payment or deemed payment on a Section 871(m) transaction (including, if appropriate, the payment of the purchase price) that is substantially similar to a dividend as a dividend equivalent, which will be subject to U.S. withholding tax unless reduced by an applicable tax treaty and a properly executed IRS Form W-8 (or other qualifying documentation) is provided. For Notes issued or deemed issued after 31 December 2016, withholding will be based on actual dividends or, if stated in writing on the issue date of the Notes, on estimated dividends used in pricing the Note. If an adjustment is made for the actual dividends, then a true-up payment (in addition to the estimated dividend) is added to the per-share dividend amount. If withholding applies, the relevant Issuer will not be required to pay any additional amounts with respect to amounts withheld. Transactions may be combined and treated as a Section 871(m) transaction, creating liability for a Noteholder, whether or not the relevant Issuer withholds on a dividend equivalent.

THE REGULATIONS REGARDING DIVIDEND EQUIVALENT PAYMENTS ARE EXTREMELY COMPLEX. NOTEHOLDERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE U.S. FEDERAL INCOME TAX CONSEQUENCES TO THEM OF THESE REGULATIONS AND WHETHER PAYMENTS OR DEEMED PAYMENTS ON THE NOTES CONSTITUTE DIVIDEND EQUIVALENT PAYMENTS.

## SELLING RESTRICTIONS

*This section sets out a summary of certain restrictions regarding who can purchase the Notes in certain jurisdictions.*

Subject to the terms and on the conditions contained in a Dealer Agreement dated 17 May 2016 (as modified and/or supplemented and/or restated as at the date of the issue of the Notes, the “**Dealer Agreement**”) between the Issuers, the Dealers (the “**Permanent Dealers**”) and such additional persons that are appointed as dealers in respect of the Programme (and whose appointment has not been terminated), as the case may be, and the Arranger, the Notes will be offered on a continuous basis by the relevant Issuer to the Permanent Dealers and any such additional dealers. However, each Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the relevant Issuer through the Dealers, acting as agents of such Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The relevant Issuer may pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. Each Issuer has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment and update of the Programme.

Each Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes issued by it. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the relevant Issuer.

### 1 United States

#### 1.1 Notes

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or any state securities laws. The Notes do not constitute, and have not been marketed as, contracts of sale of a commodity for future delivery (or options thereon) subject to the United States Commodity Exchange Act of 1936, as amended (the “**Commodity Exchange Act**”), and trading in the Notes has not been approved by the United States Securities and Exchange Commission (the “**SEC**”), any state securities commission, the United States Commodity Futures Trading Commission (the “**CFTC**”) under the Commodity Exchange Act, any U.S. federal or state banking authority or any other United States regulatory authority. Accordingly, the Notes may not be offered, sold, pledged, assigned, delivered, redeemed or otherwise transferred at any time within the U.S. or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph and not otherwise defined herein have the meanings given to them by Regulation S under the Securities Act.

The Notes are being offered and sold outside of the U.S. in reliance on the registration exemption contained in Regulation S. Accordingly, each Dealer has agreed (and each additional dealer named in a set of Final Terms will be required to agree) that it, its affiliates, and any person acting on its or their behalf has not offered or sold and will not at any time offer or sell Notes, directly or indirectly within the U.S. or to, or for the account or benefit of, any U.S. person and that it will send to each Dealer, distributor or person receiving a selling concession, fee or other remuneration that purchases Notes (whether upon original issuance or in any secondary transaction) a written confirmation or other notice substantially to the following effect:

*“The securities covered hereby have not been registered under the U.S. Securities Act of 1933 (the “**Securities Act**”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons at any time. Terms used above and not otherwise defined in the Base General*

*Conditions have the meanings given to them by Regulation S under the Securities Act. In addition, the securities covered hereby do not constitute, and have not been marketed as, contracts of sale of a commodity for future delivery (or options thereon) subject to the United States Commodity Exchange Act of 1936, as amended.”*

Neither such Dealer nor its affiliates, nor any persons acting on its or their behalf, have engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Notes, and such Dealer, its affiliates and all persons acting on its or their behalf have complied and will comply with the offering restrictions requirement of Regulation S.

Offers, sales, resales or deliveries of the Notes, directly or indirectly, in the U.S. or to, or for the account or benefit of U.S. persons would constitute a violation of U.S. securities laws unless made in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom. In addition, in the absence of relief from the CFTC, offers, sales, resales, trades or deliveries of the Notes, directly or indirectly, in the U.S. or to, or for the account or benefit of, U.S. Persons, may constitute a violation of U.S. law governing commodities trading.

As used herein, “U.S.” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and “U.S. person” means (i) an individual who is a citizen or resident of the U.S.; (ii) a corporation, partnership or other entity organized in or under the laws of the U.S. or any political subdivision thereof or which has its principal place of business in the U.S.; (iii) any estate or trust which is subject to U.S. federal income taxation regardless of the source of its income; (iv) any trust if a court within the U.S. is able to exercise primary supervision over the administration of the trust and if one or more U.S. trustees have the authority to control all substantial decisions of the trust; (v) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (ii) above; (vi) any entity organized principally for passive investment, 10 per cent. or more of the beneficial interests in which are held by persons described in (i) to (v) above or such entity was formed principally for the purpose of investment by such persons in a commodity pool the operator of which is exempt from certain requirements of Part 4 of the CFTC's regulations by virtue of its participants being non-U.S. persons; or (vii) any other "U.S. Person" as such term may be defined in Regulation S under the Securities Act or in regulations adopted under the Commodity Exchange Act.

## **1.2 No offer to U.S. Persons**

This Prospectus has been prepared by the Issuers for use in connection with the offer and sale of Notes outside the U.S. and for the listing of Notes on the stock exchange upon which such Notes are listed as specified in the relevant Final Terms, if any. The Issuers and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Prospectus does not constitute an offer to any person in the U.S. or to any U.S. person. Distribution of this Prospectus by any non-U.S. person outside the U.S. to any U.S. person or to any other person within the U.S., and those persons, if any, retained to advise such non-U.S. person with respect thereto, is unauthorised, and any disclosure without the prior written consent of the Issuers of any of its contents to any such U.S. person or other person within the U.S., and those persons, if any, retained to advise such non-U.S. person, is prohibited.

## **1.3 Bearer Notes; D Rules**

In addition, unless the Purchase Information or the Subscription Agreement relating to one or more Tranches specifies that the applicable TEFRA exemption is either “C Rules” or “not applicable”, each Dealer has represented, warranted and agreed in relation to each Tranche of Bearer Notes that:

- (a) except to the extent permitted under U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form as such rules for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”)) (the “D Rules”),

- (b) it has not offered or sold, and during a 40-day restricted period shall not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person; and
- (c) it has not delivered and shall not deliver within the United States or its possessions definitive Bearer Notes that are sold during the restricted period;
- (d) it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (e) if it is a United States person, it is acquiring the Bearer Notes for purposes of resale in connection with their original issuance and if it retains Bearer Notes for its own account, it shall only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6) (or any successor rules in substantially the same form as such rules for purposes of Section 4701 of the Code);
- (f) with respect to each affiliate that acquires from it Bearer Notes for the purpose of offering or selling such Notes during the restricted period, it either (a) repeats and confirms the representations contained in paragraphs (a), (b) and (c) on behalf of such affiliate or (b) agrees that it shall obtain from such affiliate for the benefit of the relevant Issuer the representations contained in paragraphs (a), (b) and (c); and
- (g) it has not and will not enter into a written contract (apart from a confirmation or other notice of the transaction) for the offer or sale during the restricted period of Bearer Notes with any distributor (within the meaning of U.S. Treasury Regulation §1.163-5(c)(2)(i)(D)(4)(ii) (or any successor rules in substantially the same form as such rules for purposes of Section 4701 of the Code) other than its affiliate(s) or another Dealer unless it obtains the representations and agreements contained in this paragraph 1.3 from the person with whom it enters into such written contract.

Terms used in this paragraph have the meanings given to them by the Code and the regulations promulgated thereunder, including the D Rules.

#### **1.4 Bearer Notes; C Rules**

In addition, to the extent that the Purchase Information or the Subscription Agreement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is “C Rules”, under U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form as such rules for purposes of Section 4701 of the Code) (the “**C Rules**”), Bearer Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer has represented, warranted and agreed that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Bearer Notes within the United States or its possessions in connection with their original issuance. Further, in connection with their original issuance of Bearer Notes, it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions or otherwise involve its U.S. office in the offer or sale of Bearer Notes. Terms used in this paragraph have the meanings given to them by the Code and the regulations promulgated thereunder, including the C Rules.

## 2 United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not or, in the case of the Bank, would not, if the Bank was not an authorised person, apply to the relevant Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## 3 Argentina

The Notes are not registered with the *Comisión Nacional de Valores* (the Argentine securities commission or the “CNV”) nor are the Issuers authorised issuers registered with the CNV. Consequently, no public offering of the Notes is authorised in Argentina and the Notes may not be sold under the Argentine Capital Markets Law No. 26,831, as amended, as regulated by Decree No. 1,023/2013 (the “**Securities Law**”). Furthermore, because the Securities Law does not have extraterritorial effects, public offerings which take place outside of Argentina are not regulated by the Securities Law.

Accordingly, any transactions involving the Notes must be done privately, in circumstances that do not constitute a public offering or distribution under Argentine laws and regulations.

Each Dealer has represented and warranted, and each further Dealer appointed under the Programme will be required to represent and warrant that it will not (i) be domiciled or be located in Argentina, nor will it have a local presence in Argentina, (ii) engage in any invitation to the general Argentine public, or certain sectors or groups in Argentina, made through personal offers, newspaper advertisements, radio or television broadcasts, internet, websites, films, billboards, signs, programmes, massive e-mail distributions, circulars, printed notices, marketing materials or by any other means, to enter into any transaction involving the Notes, (iii) offer or sell the Notes to any other person, whether by traditional or electronic means, for re-sale, directly or indirectly in Argentina, unless in compliance with the Securities Law, as amended, any regulations issued thereunder, and any other applicable Argentine laws and regulations, or (iv) negotiate in Argentina the terms and conditions of the transaction to be entered into with the investor, and the transaction will be closed and settled outside of Argentina. Failure to comply with one or more of these guidelines will not automatically result in a public offering of securities, but rather the situation would have to be reviewed depending on that particular case.

## 4 Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (the “**Australian Corporations Act**”) in relation to the Programme or any Notes has been, or will be, lodged with the Australian Notes and Investments Commission (“ASIC”). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, unless the relevant Final Terms (or a relevant supplement to this Prospectus) otherwise provides, it:

- (a) has not made or invited, and will not make or invite, an offer of the Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, this Prospectus or any other offering material or advertisement relating to the Notes in Australia,

unless:

- (i) the aggregate consideration payable by each offeree is at least A\$500,000 (or its equivalent in an alternative currency, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation does not otherwise require disclosure to investors under Parts 6D.2 or 7.9 of the Australian Corporations Act;
- (ii) the offer or invitation does not constitute an offer to a “retail client” for the purposes of section 761G and 761GA of the Australian Corporations Act;
- (iii) such action complies with any applicable laws, regulations and directives (including without limitation, the licensing requirements set out in Chapter 7 of the Australian Corporations Act) in Australia; and
- (iv) such action does not require any document to be lodged with ASIC.

## 5 Belgium

The Notes may not be distributed in Belgium by way of an offer of securities to the public, as defined in Article 3 §1 of the Belgian Law of 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on regulated markets, as amended from time to time, (the “**Prospectus Law**”), save in those circumstances set out in Article 3 §2-4 of the Prospectus Law.

The offering is exclusively conducted under applicable private placement exemptions and therefore it has not been and will not be notified to, and this Prospectus or any other offering material relating to the Notes has not been and will not be approved by, the Belgian Financial Services and Markets Authority (*Autorité des Services et Marchés Financiers / Autoriteit voor Financiële Diensten en Markten*).

Accordingly, the offering may not be advertised and each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes and that it has not distributed, and will not distribute, any memorandum, information circular, brochure or any similar documents, directly or indirectly, to any individual or legal entity in Belgium other than:

- (a) qualified investors, as defined in Article 10 of the Prospectus Law;
- (b) investors required to invest a minimum of €100,000 (per investor and per transaction); and
- (c) in any other circumstances set out in Article 3 §2-4 of the Prospectus Law.

This Prospectus has been issued only for the personal use of the above qualified investors and exclusively for the purpose of the offering of Notes. Accordingly, the information contained herein may not be used for any other purpose nor disclosed to any other person in Belgium.

## 6 Bermuda

This Prospectus and the Notes offered hereby have not been, and will not be, filed or registered under the laws and regulations of Bermuda, nor has any regulatory authority in Bermuda passed comment upon or approved the accuracy or adequacy of this Prospectus. The Notes offered hereby may not be offered to the public in Bermuda, except in compliance with the provisions of the Investment Business Act 2006 of Bermuda which regulates the sale of securities in Bermuda and neither this Prospectus, which has not been submitted to the Bermuda Minister of Finance, the Bermuda Registrar of Companies or the Bermuda Monetary Authority, nor any offering material or information contained herein relating to the Notes, may be supplied to the public in Bermuda or used in connection with any offer for the subscription or sale of Notes to the public in Bermuda.

## 7 Brazil

The Notes have not been and will not be issued nor placed, distributed, offered or negotiated in the Brazilian capital markets. Neither the Issuers nor any of the Notes have been or will be registered with the Brazilian Notes Commission (*Comissão de Valores Mobiliários*) (the “CVM”). Any public offering or distribution of the Notes in Brazil, as defined under Brazilian laws and regulations, requires prior registration under Law No. 6,385, of 7 December, 1976, as amended, and Instruction No. 400, issued by the CVM on 29 December, 2003, as amended. Documents relating to an offering of the Notes by this Prospectus, as well as information contained therein, may not be distributed to the public in Brazil, nor be used in connection with any offer for subscription or sale of the Notes to the public in Brazil. The Notes may not be offered or sold in Brazil and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Brazil, except in circumstances that do not constitute a public offering, placement, negotiation or distribution under Brazilian laws and regulations.

## 8 Canada

Each Dealer has represented, warranted and agreed that:

- (1) the sale and delivery of any Notes to any purchaser who is a resident of Canada or otherwise subject to the laws of Canada (each such purchaser, a “**Canadian Purchaser**”) by it shall be made so as to be exempt from the prospectus requirements of applicable Canadian securities laws and regulations, rulings and orders made thereunder and rules, instruments and policy statements issued and adopted by the relevant securities regulator or regulatory authority, including those applicable in each of the provinces and territories of Canada (collectively, “**Canadian Securities Laws**”);
- (2) without limiting the generality of paragraph (1) above, each Canadian Purchaser will, or will deemed to be, acquiring the Notes as principal for its own account in accordance with Canadian Securities Laws, and not as agent for the benefit of another person, and each Canadian Purchaser:
  - (a) must not be an individual;
  - (b) if such Canadian Purchaser is resident in a province or territory of Canada other than Ontario, such Canadian Purchaser must be an “accredited investor” as defined in section 1.1 of National Instrument 45-106 – *Prospectus Exemptions* (“**NI 45-106**”);
  - (c) if such Canadian Purchaser is resident in the Province of Ontario, such Canadian Purchaser must be an “accredited investor” as defined in Section 73.3(1) of the *Securities Act* (Ontario);
  - (d) must not be a person created or used solely to purchase or hold the Notes as an “accredited investor” as described in paragraph (m) of the definition of “accredited investor” in section 1.1 of NI 45-106; and
  - (e) must meet one or more of the criteria set out in section 8.18(1) of National Instrument 31-103 – *Registration Requirements, Exemptions and Ongoing Registrant Obligations* in order to be classified as a “permitted client” pursuant to that instrument;
- (3) it will comply with all relevant Canadian Securities Laws concerning any resale of the Notes by it and will prepare, execute, deliver, and file all documentation required by the applicable Canadian Securities Laws to permit each resale by it of Notes to a Canadian Purchaser; and
- (4) it has not provided and will not provide to any Canadian Purchaser any document or other material that would constitute an “offering memorandum” for purposes of Canadian Securities Laws unless it has prepared a Canadian offering memorandum in connection with the issue of the relevant Notes, or it is able to rely on exemptions from additional disclosure requirements under applicable Canadian



Securities Laws and has provided the necessary disclosure statement to the Canadian Purchaser in compliance with the requirements of such exemptions.

## **9 Cayman Islands**

No offer or invitation by, or on behalf of, the Issuers to subscribe for the Notes may be made from a place of business in the Cayman Islands to the public in the Cayman Islands.

## **10 Chile**

The offer of the Notes is subject to Rule (Norma de Carácter General) No. 336, dated 27 June 2012 issued by the Superintendency of Securities and Insurance of Chile (Superintendencia de Valores y Seguros de Chile or “SVS”). The Notes being offered will not be registered under the Securities Market Law in the Securities Registry (Registro de Valores) or in the Foreign Securities Registry (Registro de Valores Extranjeros) of the SVS and, therefore, the Notes are not subject to the supervision of the SVS. As unregistered securities, the Issuers are not required to disclose public information about the Notes in Chile. Accordingly, the Notes cannot and will not be publicly offered to persons in Chile unless registered with the relevant Securities Registry of the SVS. The Notes may only be offered in Chile in circumstances that do not constitute a public offering under Chilean law or in compliance with General Rule No. 336 of the SVS. Pursuant to General Rule No. 336, the Notes may be privately offered in Chile to certain “qualified investors” identified as such therein (which in turn are further described in General Rule No. 216, dated 12 June 2008, of the SVS).

## **11 Colombia**

This Prospectus does not constitute a public offer in the Republic of Colombia. It is being distributed under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations. Neither the Notes, nor the Issuers have and will not be registered with the Superintendence of Finance of Colombia. The distribution of this Prospectus is made to less than one hundred specifically identified potential Colombian investors. Potential Colombian investors should make their own decision whether this financial product meets their investment objectives and risk tolerance level. Each potential Colombian investor should make its own inquiries and consult its own advisors as to this financial product and the Issuers, including the merits and risks involved, and as to legal, tax and related matters concerning an investment in the Notes. This Prospectus is marketed in Colombia or provided to Colombian residents in compliance with decree 2555 of 2010 and other applicable rules and regulations related to the promotion of foreign financial and/or securities related products or services in Colombia. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes may only be promoted to Colombian residents in compliance with decree 2555 of 2010 and under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations.

Colombian residents acknowledge and confirm Colombian laws and regulations (in particular, foreign exchange, securities and tax regulations) applicable to any solicitation of foreign financial products and represent that they are the sole liable party for full compliance with any such laws and regulations. In addition, the Colombian residents ensure that the Issuers will have no responsibility, liability or obligation in connection with any consent, approval, filing, proceeding, authorisation or permission required by the investor or any actions taken or to be taken by the investor in connection with the offer, sale or delivery of the Notes under Colombian law.

## **12 Czech Republic**

No approval of a prospectus has been sought or obtained from the CNB under Act No. 256/2004 Coll. on Conducting Business in the Capital Market, as amended (the “**Capital Market Act**”) with respect to the Notes. No action has been taken to passport a prospectus approved by the competent authority of the home

Member State of the Issuers into the Czech Republic by delivery of certificate of the competent authority of the home Member State of the Issuers to the CNB attesting that a prospectus approved by the home Member State authority has been drawn up in accordance with law of the European Union.

No application has been filed nor has any permission been obtained for listing nor has any other arrangement for trading the Notes on any regulated market in the Czech Republic (as defined by the Capital Market Act) been made. Accordingly, each of the Dealers has represented and agreed that it has not and will not offer, sell or otherwise introduce the Notes for trading in the Czech Republic in a manner that would require (i) the approval of a prospectus by the CNB or (ii) passporting of a prospectus approved by the competent authority of the home Member State of the Issuers into the Czech Republic by delivery of certificate of the competent authority of the home Member State of the Issuers to the CNB attesting that a prospectus approved by the home Member State authority has been drawn up in accordance with law of the European Union.

Accordingly any person making or intending to make any offer within the Czech Republic of Notes which are the subject of the placement contemplated in this Prospectus should only do so in circumstances in which no obligation arises for the Issuers or any of the Dealers to produce a prospectus for such offer. Neither the Issuers nor the Dealers have authorised, nor do they authorise, the making of any offer of Notes through any financial intermediary, other than offers made by Dealers which constitute the final placement of Notes contemplated in this Prospectus.

Any person intending to acquire or acquiring any Notes from any person should be aware that, in the context of an offer to the public as defined in section 34(1) of the Capital Market Act, the relevant Issuer may be responsible to the investor for this Prospectus under section 36b of Capital Market Act, only if the relevant 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 relevant Issuer. If the offeror is not authorised by the relevant Issuer, the investor should check with the offeror whether anyone is responsible for this Prospectus for the purposes of section 36b of the Capital Market Act 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 Prospectus and/or who is responsible for its contents it should take legal advice.

An investor intending to acquire or acquiring any Notes from an offeror will do so, and offers and sales of the Notes to an investor by an offeror will be made, in accordance with any terms and other arrangements in place between such offeror and such investor including as to price, allocations and settlement arrangements. The Issuers will not be a party to any such arrangements with investors (other than Dealers) in connection with the offer or sale of the Notes and, accordingly, this Prospectus and any Final Terms will not contain such information and an investor must obtain such information from the offeror.

Each Dealer has represented and agreed with the Issuers and each other Dealer that it has complied with and will comply with all the requirements of the Capital Market Act and the Bonds Act and has not taken, and will not take, any action which would result in the Notes being deemed to have been issued in the Czech Republic, the issue of the Notes being classed as “accepting of deposits from the public” by the Issuers in the Czech Republic under Section 2(2) of Act of the Czech Republic No. 21/1992 Coll., on Banks (as amended) (the “**Banking Act**”) or requiring a permit, registration, filing or notification to the CNB or other authorities in the Czech Republic in respect of the Notes in accordance with the Capital Market Act, and the Bonds Act and the Banking Act or the practice of the CNB.

Each Dealer has represented and agreed with the Issuers and each other Dealer that it has complied with and will comply with all the laws of the Czech Republic applicable to the conduct of business in the Czech Republic (including the laws applicable to the provision of investment services (within the meaning of the Capital Market Act) in the Czech Republic) in respect of the Notes.

### 13 Denmark

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent that the Notes have not been offered or sold and may not be offered, sold or delivered, directly or indirectly, in Denmark, unless in compliance with Chapters 6 and 12 of the Danish Securities Trading Act, Consolidated Act No. 1530 of 12 February 2015 and any executive orders issued pursuant thereto, all as amended from time to time.

### 14 Dubai International Financial Centre

This Prospectus relates to an Exempt Offer in accordance with the Markets Rules of the Dubai Financial Services Authority (“DFSA”). This Prospectus is intended for distribution only to Professional Clients (as defined by the DFSA) who are not natural persons. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The Notes to which this Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Notes offered should conduct their own due diligence on the Notes. If investors do not understand the contents of this Prospectus they should consult an authorised financial adviser.

### 15 Ecuador

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it will not publicly offer, sell or advertise the Notes in or from Ecuador, as such term is defined or interpreted under the Stock Market Law (“SML”); and
- (b) to the extent the Notes could also qualify as banking products within the meaning of the Monetary and Financial Code (the “COMF”), it will not publicly and massively offer, sell or advertise the Notes in or from Ecuador, as such term is interpreted under the COMF.

The Issuers have not applied for a listing of the Notes on the Stock Market Registry or any other regulated securities market in Ecuador, and consequently, the information presented in this Prospectus does not necessarily comply with the information standards set out in the listing rules of the SML.

### 16 France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

- (a) Offer to the public in France:
 

it has only made and will only make an offer of Notes to the public in France in the period beginning on the date of notification of the *Autorité des marchés financiers* (“AMF”) of the approval of the prospectus relating to those Notes by the competent authority of a Member State of the European Economic Area, other than the AMF, which has implemented the EU Prospectus Directive 2003/71/EC, as amended, all in accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF, and ending at the latest on the date which is 12 months after the date of the approval of such prospectus; or
- (b) Private placement in France:
 

it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Prospectus, the relevant Final Terms or any other offering

material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (i) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (ii) qualified investors (*investisseurs qualifiés*) and/or (iii) a limited circle of investors (*cercle restreint*) acting for their own account, as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French *Code monétaire et financier*.

## 17 Gibraltar

- (a) Gibraltar is part of the European Economic Area, having joined under the United Kingdom in 1973 (as a European territory for whose external relations a Member State is responsible).

Gibraltar has implemented the Prospectus Directive.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including 2 August 2005 (the “**Gibraltar Implementation Date**”), it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to the public in Gibraltar except that it may, with effect from and including the Gibraltar Implementation Date, make an offer of such Notes to the public in Gibraltar if:

- (i) the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 6(4) of the Gibraltar Prospectuses Act 2005 (the “**GPA**”) in Gibraltar (a “**Gibraltar Non-Exempt Offer**”), following the date of publication of a prospectus in relation to such Notes which has been approved by the Gibraltar Financial Services Commission (the “**GFSC**”) or, where appropriate, approved in another Relevant Member State and notified to the GFSC, in accordance with the GPA, provided that any such prospectus has subsequently been completed by the Final Terms contemplating such Gibraltar Non-Exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable, and the Issuers have consented in writing to its use for the purpose of a Gibraltar Non-Exempt Offer;
  - (ii) the offer is addressed only to “qualified investors” as defined in the GPA;
  - (iii) the offer is addressed to fewer than 150 persons per Member State, other than qualified investors;
  - (iv) at any time in any other circumstances falling within section 6(4) of the GPA;
    - provided that no such offer of Notes referred to in paragraphs (ii) to (iv) above shall:
      - (A) require the Issuers or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive; or
      - (B) require the Issuers to comply with the procedures stipulated under the Gibraltar Companies Act 2014 concerning prospectuses.
- (b) Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:
- (i) with respect to anything done by it in relation to the Notes, in, from or otherwise involving Gibraltar, it has complied and will continue to comply with all provisions applicable to it under the Gibraltar Financial Services (Investment and Fiduciary Services) Act 1989, the Gibraltar Financial Services (Markets in Financial Instruments) Act 2006 and the Gibraltar Financial Services (Banking) Act 1992; and

- (ii) it will not issue or cause to be issued, make or cause to be made, any investment advertisement or promotion in or from within Gibraltar, unless:
  - (A) it is authorised and/or approved to do so under the provisions applicable to it under the Gibraltar Financial Services (Investment and Fiduciary Services) Act 1989, the Gibraltar Financial Services (Markets in Financial Instruments) Act 2006, the Gibraltar Financial Services (Banking) Act 1992 and the Gibraltar Financial Services (Advertisements) Regulations 1991;
  - (B) any advertisement for a Gibraltar Non-Exempt Offer, is in accordance with section 17 of the GPA; and
  - (C) it has received the prior written approval of the Issuers.

## 18 Guernsey

The Notes are not being offered to the public in Guernsey and the Notes will not be offered to the public unless all the relevant legal and regulatory requirements of Guernsey law have been complied with. This Prospectus may not be generally distributed in Guernsey. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, on terms to this effect.

## 19 Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**Securities and Futures Ordinance**”) other than (a) to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

## 20 Hungary

This Prospectus has not been and will not be submitted for approval to the Hungarian Central Bank and the Notes will not be offered in Hungary in a public offer as defined in the Act CXX of 2001 on the Capital Markets (the “**Capital Markets Act**”). Neither this Prospectus, the Final Terms nor any offering material or advertisement in connection with the Notes may be distributed or published in Hungary. No action has been taken to passport a prospectus approved by the competent authority of the home Member State of the relevant Issuer into Hungary by delivery of a certificate of the competent authority of the home Member State of the Issuers to the Hungarian Central Bank attesting that a prospectus approved by the home Member State authority has been drawn up in accordance with Commission Regulation (EC) No. 809/2004 implementing Directive 2003/71/EC. No application has been filed nor has any permission been obtained for listing nor has any other arrangement for trading the Notes on any regulated market in Hungary (as defined by the Capital Markets Act) been made.

Each Dealer has confirmed its awareness of the above and has represented and agreed that it has not offered or sold and will not offer or sell the Notes in Hungary in a manner that would require either the approval of a prospectus by the Hungarian Central Bank or notification of a prospectus approved by the competent authority of the home Member State of the relevant Issuer into Hungary.

The preceding paragraphs shall not apply, in the event that any prospectus regarding the Notes, and including any amendments thereto, has been approved by the relevant prudential authorities of a Member State of the relevant Issuer and the Hungarian Central Bank has been notified in accordance with applicable Hungarian laws. Accordingly, any person making or intending to make any offer within Hungary of the Notes which are the subject of the placement contemplated in this Prospectus should only do so in circumstances in which no obligation arises for the Issuers or any of the Dealers to have a prospectus for such offer approved by the Hungarian Central Bank or to passport a prospectus approved by the competent authority of the home Member State of the relevant Issuer into Hungary.

## 21 Ireland

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) it will not offer, underwrite the issue of, or place, the Notes otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended) including, without limitation, Regulations 7 and 152 thereof or any codes of conduct issued in connection therewith, and the provisions of the Investor Compensation Act 1998;
- (b) it will not offer, underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Companies Acts 2014 of Ireland, the Central Banks Acts 1942 to 2014 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989;
- (c) it will not offer, underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued by the Central Bank of Ireland under Section 1363 of the Companies Act 2014 of Ireland;
- (d) it will not offer, underwrite the issue of, place, or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 (as amended) and any rules issued by the Central Bank of Ireland under Section 1370 of the Companies Act 2014 of Ireland; and
- (e) no Notes will be offered or sold with a maturity of less than 12 months except in full compliance with Notice BSD C 01/02 issued by the Central Bank of Ireland.

## 22 Isle of Man

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has only engaged in, and will only engage in, investment activity with Isle of Man persons, and that it has only communicated or caused to be communicated and will only communicate or cause to be communicated to, Isle of Man persons invitations or inducements to engage in investment activity, in the circumstances permitted in terms of paragraph 2(d) of Schedule 1 to the Isle of Man Regulated Activities Order 2011, or if it has otherwise complied and will otherwise comply with all applicable Isle of Man laws and regulations with respect to anything done by it in relation to any Notes in, from or otherwise involving the Isle of Man.

This Prospectus has not been, and is not required to be, filed or lodged with any regulatory or other authority in the Isle of Man. The Issuers are not subject to regulatory approval in the Isle of Man and holders of Notes are not protected by any statutory compensation arrangements in the event of the relevant Issuer's failure. The

Isle of Man Financial Supervision Commission does not vouch for the financial soundness of the Issuers or the correctness of any statements made or opinions expressed with regard to them.

### 23 Israel

The Notes offered hereby are not being sold pursuant to a prospectus that has been qualified with the Israeli Securities Authority. As such, the Notes may not be offered in Israel or to Israeli residents other than to persons who have confirmed in writing prior to and in connection with their investment that (i) they are among the types of investors listed in Sections (1) – (9) of Appendix 1 of the Securities Law, 5728-1968, of the State of Israel (an “**Exempted Investor**”), (ii) they are aware of the legal consequences of their qualifying as an Exempted Investor and consent thereto, and (iii) they are purchasing the Notes for their own account, for investment purposes, and without a present intention of resale.

### 24 Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the account or benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

### 25 Jersey

An offer for subscription, sale or exchange of the Notes will not be circulated in Jersey and this Prospectus will not be circulated in Jersey unless all the relevant legal and regulatory requirements of Jersey law have been complied with prior to such circulation. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, on terms to this effect.

### 26 Malta

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that: (i) it has not issued or caused to be issued and it will not issue or cause to be issued any investment advertisement, as defined in the Investment Services Act (Chapter 370 of the Laws of Malta) (the “**ISA**”), in relation to the Notes or the offer of Notes, in or from within Malta, except that it may issue or cause to be issued such investment advertisement in or from within Malta if it is issued or its contents have been approved by a licence holder in terms of the ISA or if and to the extent that an exemption from the requirements set out in article 11(1)(b) of the ISA applies under Maltese law; and (ii) if any offer of Notes is made to the public in Malta and/or any advertisement or any other document or information in relation to an offer of Notes or the Notes is issued or caused to be issued in or from Malta, such offer will be made and/or such advertisement, document or information will be so issued or caused to be issued in accordance with Maltese law.

Each Dealer has further represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not issue or cause to be issued any investment advertisement, as defined in the ISA, in relation to the Notes or the offer of Notes, in or from within Malta, unless it is authorised to do so by the Issuers.

## 27 Mexico

The Notes have not and will not be registered with the National Securities Registry (*Registro Nacional de Valores*) maintained by the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*) of Mexico and they may not be publicly offered in Mexico. The Notes may, however, be privately offered in Mexico in the context of one of the private placement exceptions included in the Mexican Securities Market Law (*Ley del Mercado de Valores*).

## 28 Monaco

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that the Notes shall not be marketed, offered or sold, directly or indirectly, to the public in Monaco other than by a Monaco duly authorized intermediary acting as a professional institutional investor which has such knowledge and experience in financial and business matters as to be capable of evaluating the risks and merits of an investment in the Notes. Consequently, the Notes may only be communicated to banks duly licensed by the *Autorité de Contrôle Prudentiel et de Résolution* and by the *Ministère d'Etat* and/or to fully licensed portfolio management companies the licence of which has been granted by the *Commission de Contrôle des Activités Financières* by virtue of Law n° 1.338 of September 7, 2007.

The recipient of this Prospectus is perfectly fluent in English and waives the option of obtaining a French version of the Prospectus.

*Les destinataires du présent document reconnaissent être à même d'en prendre connaissance en langue anglaise et renoncent expressément à une traduction française.*

## 29 New Zealand

No action has been taken to permit the Notes to be directly or indirectly offered or sold to any retail investor, or otherwise under any regulated offer, in terms of the Financial Markets Conduct Act 2013 of New Zealand (the “FMCA”). In particular, no product disclosure statement under the FMCA has been or will be prepared or lodged in New Zealand in relation to the Notes.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, that it has not directly or indirectly offered, sold or delivered and will not directly or indirectly offer, sell or deliver any Notes in New Zealand and has not distributed or published and will not distribute or publish this Prospectus, any Final Terms or any other offering material or advertisement (as defined in the FMCA) in relation to any offer of Notes in New Zealand, other than to “wholesale investors” as that term is defined in clauses 3(2)(a), (c) and (d) of Schedule 1 to the FMCA, being a person who is:

- (a) an “investment business”;
- (b) “large”; or
- (c) a “government agency”,

in each case as defined in Schedule 1 to the FMCA. For the avoidance of doubt, the Notes may not be directly or indirectly offered, sold, or delivered to, among others, any “eligible investors” (as defined in clause 41 of Schedule 1 to the FMCA) or to any person who, under clause 3(2)(b) of Schedule 1 to the FMCA, meets the investment activity criteria specified in clause 38 of that Schedule.

In addition, no person may distribute any offering material or advertisement (as defined in the FMCA) in relation to any offer of Notes in New Zealand other than to such permitted persons as referred to in the paragraph above.



### 30 Norway

This Prospectus has not been filed with or approved by the Norwegian Financial Supervisory Authority, the Oslo Stock Exchange or the Norwegian Registry of Business Enterprises. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no offer will be made to the public in Norway unless it is in compliance with the Norwegian Securities Trading Act (Nw. Verdipapirhandelloven 29. juni 2007 nr. 75) and any other applicable Norwegian law.

Notes denominated in NOK may not be offered or sold within Norway or to or for the account or benefit of persons domiciled in Norway unless, the regulation to the offer of VPS Notes (as defined below) and the registration in the VPS (as defined below) of VPS Notes has been complied with. “VPS Notes” means Notes cleared through the Norwegian Central Securities Depository, the Verdipapirsentralen (the “VPS”) with legal title thereto being evidence by book entries in the VPS.

### 31 Panama

The Notes have not been and will not be registered with the Superintendencia of the Capital Markets of the Republic of Panama under Decree Law N°1 of July 8, 1999 (the “**Panamanian Securities Act**”) and may not be publicly offered or sold within Panama, except in certain limited transactions exempt from the registration requirements of the Panamanian Securities Act. The Notes do not benefit from the tax incentives provided by the Panamanian Securities Act and are not subject to regulation or supervision by the Superintendencia of the Capital Markets of the Republic of Panama.

### 32 Paraguay

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been registered and are not being distributed and will not be distributed in Paraguay by way of a public offer, as defined in Article 4 of Law N°1284/98 (*Ley del Mercado de Valores*).

The Notes offered herein were issued outside of Paraguay. Accordingly, the Paraguayan Central Bank (*Banco Central del Paraguay*), the Paraguayan Stock Exchange Commission (*Comisión Nacional de Valores del Paraguay*) and the Paraguayan Banking Superintendency (*Superintendencia de Bancos del Banco Central del Paraguay*) do not regulate the offering of the Notes or any obligations that may arise from such offering.

The Paraguayan Deposit Insurance legislation (*Ley 2.334/2003 de Garantía de Depósitos*) does not insure investments in the Notes.

### 33 People’s Republic of China

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold by it or any of its affiliates, directly or indirectly, in the People’s Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People’s Republic of China.

### 34 Peru

Neither this Prospectus nor the Notes have been registered with the Peruvian Securities Market Regulator (“*Superintendencia del Mercado de Valores*”). Accordingly, each Dealer has further represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it and each of its affiliates has not offered or sold, and will not offer or sell, any Notes in Peru except that they may offer Notes in circumstances which do not constitute a public offering under Peruvian laws and regulations.

The Notes will not be registered in the Registro Público del Mercado de Valores. As a result, the offering of the Notes is limited to the restrictions set forth in the Peruvian Securities Market Law. Holders of the Notes are not permitted to transfer the Notes in Peru unless said transfer involves an institutional investor or the Notes are previously registered in the Registro Público del Mercado de Valores.

### 35 Poland

Unless the prospectus for the Notes has been approved by either the Polish competent authority for the approval of prospectuses for the public offering of securities in Poland or the admission of securities to trading on an EU regulated market in Poland (the “**Polish FSA**”), or the relevant competent authority in another EU Member State and the Polish FSA has received a certificate of such approval with a copy of the prospectus and Polish translation of the prospectus as required under the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005, as amended, (the “**Act on Public Offering**”) the Notes may not be publicly offered in Poland or admitted to trading on an EU regulated market in Poland.

Each of the Dealers has represented and agreed that it will not seek admission of any Notes to trading on the regulated market in Poland nor offer any Notes in Poland as part of its initial distribution in the event that any such offer would constitute a “public offering” in Poland as defined above.

### 36 Republic of Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“**CONSOB**”) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Prospectus or of any other document relating to any Notes be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Dealer has represented and agreed, any further Dealer appointed under the Programme shall be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute any copy of this Prospectus or any other document relating to the Notes in Italy except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998 (the “**Financial Services Act**”) and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the “**Issuers Regulation**”), all as amended from time to time; or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the “**Banking Act**”) and CONSOB Regulation No. 16190 of 29 October 2007, all as amended from time to time;
- (ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and
- (iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

### 37 Republic of Korea

The Notes have not been and will not be registered with the Financial Services Commission of Korea for public offering in Korea under the Financial Investment Services and Capital Markets Act and its subordinate decrees and regulations (collectively the “**FSCMA**”). The Notes may not be offered, sold or delivered, directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except as otherwise permitted under the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law and its subordinate decrees and regulations (collectively, the “**FETL**”). Without prejudice to the foregoing, the number of the Notes offered in Korea or to a resident in Korea shall be less than 50 and, for a period of one year from the Issue Date of the Notes, none of the Notes may be divided resulting in an increased number of the Notes. Furthermore, the Notes may not be resold to Korean residents unless the purchaser of the Notes complies with all applicable regulatory requirements (including but not limited to government reporting requirements under the FETL) in connection with the purchase of the Notes.

### 38 Romania

Each Dealer has represented and agreed that:

- (a) it has not offered or sold, directly or indirectly, any Notes to persons in Romania, except through a financial services intermediary authorised or recognised, in accordance with Law No. 297 of 2004 regarding the capital markets as amended to date (the “**Romanian Capital Markets Law**”) and only in circumstances which have not resulted, and will not result, in the requirement to obtain approval of the Romanian Financial Supervisory Authority (the “**RFSA**”) in respect of a prospectus, simplified prospectus or similar document in Romania in accordance with the Romanian Capital Markets Law and all implementing regulations issued by the RFSA or by the European Commission and it has not provided and it will not provide any communication to a broader circle of persons containing information on the securities being offered and the terms under which they may acquire the securities and which are sufficient for the investor to make a decision or to subscribe for, or purchase, such securities;
- (b) it has not communicated or caused to be communicated and will not communicate or cause to be communicated any invitation, inducement to engage in investment activity or any other type of advertising materials (within the meaning of the Romanian Capital Markets Law and European Commission Regulation No. 809/2004) received or issued by it in connection with the issue or sale of any Notes to persons other than qualified investors (within the meaning of the Romanian Capital Markets Law) or the par unitary value of which is lower than the equivalent of EUR 100,000;
- (c) it will not take any action which would result in the Notes being deemed to have been issued in Romania, or the issue of the Notes being classed as “taking deposits and other repayable funds from the public” by the relevant Issuer in Romania under the Romanian Government Emergency Ordinance No. 99/2006, as amended (the “**Romanian Banking Law**”), or requiring a permit, registration, filing or notification to the RFSA, the National Bank of Romania (“**NBR**”) or other authorities in Romania in respect of the Notes in accordance with the Romanian Capital Markets Law, the Romanian Banking Law or the practice of the RFSA and/or the NBR; and
- (d) it has complied, and will comply, with all the laws of Romania, including applicable provisions of the Romanian Capital Markets Law, the Romanian Banking Law and all relevant regulations issued by the RFSA, NBR and the European Commission with respect to anything done by it in relation to the Notes in, from or otherwise involving Romania.

### 39 San Marino

This Prospectus has not been specifically authorized by the Central Bank of San Marino (*Banca Centrale della Repubblica di San Marino*, also “BCSM”). Accordingly, each Dealer has represented and agreed, and any further Dealer appointed under the Programme shall be required to represent and agree, that the Notes may only be offered or sold to the public in San Marino pursuant to and in compliance with the Law 2005/165 “*Legge sulle imprese e sui servizi bancari, finanziari ed assicurativi*”, the BCSM Rule 2007/07 and BCSM Rules 2006-03, as amended, and any regulation issued thereunder. Therefore, no offer will be made to the public in San Marino, whether directly or indirectly, unless it is in compliance with the LISF and BCSM Rules 2006-03 and 2007/07 and any regulation issued thereunder.

### 40 Singapore

Each Dealer has acknowledged and each further Dealer appointed under the Programme will be required to acknowledge that the Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

### 41 South Africa

Notes may not be offered for sale or subscription or sold, directly or indirectly, in the Republic of South Africa, except in accordance with (i) the exchange control regulations of the Republic of South Africa, (ii) the South African Banks Act, 1990 and any regulations promulgated thereunder, including the Commercial Paper

regulations, (iii) the South African Companies Act, 2008, including the exemption from “an offer to the public” set out in section 96(1) of the South African Companies Act, 2008, (iv) the South African Financial Advisory and Intermediary Services Act, 2002, (v) the JSE Listings Requirements and (vi) any other applicable laws or regulations of the Republic of South Africa in force from time to time.

#### 42 Spain

This Prospectus has not been registered with the Spanish Securities Market Regulator (“*Comisión Nacional del Mercado de Valores*”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that Notes may only be offered in Spain to investors acquiring each an amount equal to €100,000 pursuant to and in compliance with Law 24/1988 and Royal Decree 1310/2005, both as amended, and any regulation issued thereunder.

#### 43 Sweden

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no offer will be made to the public in Sweden unless it is in compliance with the Swedish Financial Instruments Trading Act (*Sw. lag (1991:980) om handel med finansiella instrument*) and any other applicable Swedish law.

#### 44 Switzerland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except where explicitly permitted by the relevant Final Terms:

- (a) it will not publicly offer the Notes in or from Switzerland, as such term is defined or interpreted under the Swiss Code of Obligations (“**CO**”); and
- (b) to the extent the Notes qualify as structured products (the “**Structured Products**”) within the meaning of the Swiss Collective Investment Schemes Act (the “**CISA**”), it will not offer, sell, advertise or distribute the Notes in or from Switzerland, as such terms are defined or interpreted under the CISA, except to qualified investors as defined in article 10 CISA (the “**Qualified Investors**”).

The Notes may not be publicly offered in or from Switzerland, except in the case of Notes, the Final Terms of which explicitly permit a public offer in Switzerland. Offering or marketing material relating to Notes, the Final Terms of which do not explicitly permit a public offer in Switzerland, may not be publicly distributed or otherwise made publicly available in Switzerland.

To the extent the Notes qualify as Structured Products, the Notes may not be offered, sold, advertised or distributed, directly or indirectly, in or from Switzerland, except (i) to Qualified Investors or (ii) in the case of Notes, the Final Terms of which explicitly permit a public offer in Switzerland. Offering or marketing material relating to Notes, which qualify as Structured Products and the Final Terms of which do not explicitly permit a public offer in Switzerland, may not be distributed or otherwise made available in Switzerland, except (i) to Qualified Investors or (ii) in the case of Notes, the Final Terms of which explicitly permit a public offer in Switzerland.

The Notes do not constitute participations in a collective investment scheme within the meaning of the CISA. Therefore, the Notes are not subject to the approval of, or supervision by, the Swiss Financial Market Supervisory Authority FINMA (“**FINMA**”), and investors in the Notes will not benefit from protection under the CISA or supervision by FINMA.

#### 45 Taiwan

The Notes, if listed on the Taipei Exchange for sale to professional or general investors in Taiwan and to the extent permitted by the relevant Taiwan laws and regulations, may be sold in Taiwan to professional or

general investors, as applicable, or, if not listed on the Taipei Exchange, may be made available, (i) to Taiwan resident investors outside Taiwan for purchase by such investors outside Taiwan; (ii) to the Offshore Banking Units of Taiwan banks or the Offshore Securities Units of Taiwan securities firms purchasing the Notes either for their proprietary account or for the accounts of their non-Taiwan clients (“**OBU/OSU Channel Sales**”); and/or (iii) to investors in Taiwan through certain licensed Taiwan financial institutions to the extent permitted under relevant Taiwan laws and regulations, but may not, otherwise be offered, sold or resold in Taiwan.

To the extent the Notes are offered to non Taiwan clients via OBU/OSU Channel Sales, the relevant offering documents provided to such clients shall contain the following notification:

The Notes offered herein has not been reviewed or approved by the competent authorities and is not subject to any filing or reporting requirement. The Notes is only permitted to be recommended or introduced to or purchased by clients of an offshore banking unit of a bank (“**OBU**”)/offshore securities unit of a securities firm (“**OSU**”) which clients reside outside the R.O.C. Clients of an OBU/OSU are not eligible to use the financial consumer dispute resolution mechanism under the Financial Consumer Protection Law.

#### **46 United Arab Emirates (ex. DIFC)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

#### **47 Uruguay**

The Notes have not been registered with the Superintendence of Financial Services in Uruguay and were not and will not be traded on any Uruguayan stock exchange.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to the public in Uruguay, except pursuant only to a private offer of Notes.

#### **48 Venezuela**

Neither this Prospectus nor the Notes have been registered with the Venezuelan Securities Market Regulator (“*Superintendencia Nacional de Valores*”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not conduct a Public Offering of the Notes in Venezuela. For the sole purpose of these selling restrictions with respect to Venezuela, “**Public Offering**” is the offer of Notes to the public, particular sectors or groups through any publicity or diffusion means in Venezuela.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not privately place or offer the Notes within the Territory of Venezuela.

#### **49 General**

These selling restrictions may be modified by the agreement of the Issuers and the Dealers following a change in a relevant law, regulation or directive.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Neither the Issuers nor the Dealers represent that Notes may at any time lawfully be sold in compliance with any appropriate registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it shall, to the best of its knowledge and belief, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Prospectus, any other offering material or any Final Terms and, that it will, obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws, regulations and directives in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sale or deliveries, and neither the Issuers nor any other Dealer shall have responsibility there for the relevant Final Terms.

## **50 Other Relationships**

The Dealer and its affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuers or their Affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

The Dealer and its affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Bank, the Company or any of their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealer and its Affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuers or their Affiliates. Certain of the Dealers or their Affiliates that have a lending relationship with the Issuers routinely hedge their credit exposure to the Issuers consistent with their customary risk management policies. Typically, such Dealers and their Affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuers' securities, including potentially any Notes which may be offered under this Programme. Any such positions could adversely affect future trading prices of any Notes offered under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## GENERAL INFORMATION

*This section provides certain additional information relating to all Notes.*

- 1 Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on its Regulated Market (the “**Market**”). It is expected that each issue of Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued upon submission to the UK Listing Authority and to the London Stock Exchange of the relevant Final Terms and any other information required by the UK Listing Authority or any other relevant authority. The listing of the Programme in respect of Notes is expected to be granted on or about 20 May 2016. Prior to such listing and admission to trading, however, dealings in Notes will be permitted by the London Stock Exchange in accordance with its rules.
- 2 The Issuers have obtained all necessary consents, approvals and authorisations in the United Kingdom in connection with the establishment and update of the Programme and the issue and performance of the Notes. The establishment of the Programme and the issue of Notes under it was authorised by (i) resolutions of the Board of Directors of the Bank passed on 26 November 2015 and (ii) resolutions of the Board of Directors of the Company passed on 26 November 2015.
- 3 There has been no significant change in the financial position of the Lloyds Bank Group since 31 December 2015, the date to which the Lloyds Bank Group’s last published audited financial information (as set out in the Bank’s 2015 Annual Report) was prepared. There has been no material adverse change in the prospects of the Bank since 31 December 2015, the date to which the Bank’s last published audited financial information (as set out in the Bank’s 2015 Annual Report) was prepared.
- 4 There has been no significant change in the financial position of the Group since 31 December 2015, the date to which the Group’s last published audited financial information (as set out in the Company’s 2015 Annual Report) was prepared. There has been no material adverse change in the prospects of the Company since 31 December 2015, the date to which the Company’s last published audited financial information (as set out in the Company’s 2015 Annual Report) was prepared.
- 5 Save as disclosed in the sub-sections entitled “*Interchange fees*”, “*Payment Protection Insurance*”, “*Investigation and litigation relating to interbank offered rates, and other references rates*”, “*Litigation in relation to insurance branch business in Germany*”, “*Interest rate hedging products*”, “*Provisions for other legal actions and regulatory matters*”, “*UK shareholder litigation*”, “*Financial Services Compensation Scheme*”, “*Tax authorities*”, “*Residential mortgage repossessions*” and “*Enhanced Capital Notes (“ECNs”)*” of the section “*Lloyds Banking Group and Lloyds Bank – Legal Actions and Regulatory Matters*” on pages 269 to 274 of this Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which the Bank is aware) during the 12 months preceding the date of this Prospectus, which may have or have had in the recent past, significant effects on the financial position or profitability of the Bank or Lloyds Bank Group.
- 6 Save as disclosed in the sub-sections entitled “*Interchange fees*”, “*Payment Protection Insurance*”, “*Investigation and litigation relating to interbank offered rates, and other references rates*”, “*Litigation in relation to insurance branch business in Germany*”, “*Interest rate hedging products*”, “*Provisions for other legal actions and regulatory matters*”, “*UK shareholder litigation*”, “*Financial Services Compensation Scheme*”, “*Tax authorities*”, “*Residential mortgage repossessions*” and “*Enhanced Capital Notes (“ECNs”)*” of the section “*Lloyds Banking Group and Lloyds Bank – Legal Actions and Regulatory Matters*” on pages 269 to 274 of this Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus, which may have or have had in the recent past, significant effects on the financial position or profitability of the Company or Lloyds Banking Group.



- 7** Each Bearer Note treated as debt for U.S. federal income tax purposes having a maturity of more than one year, and accompanying Coupons and Talons will bear the following legend:

“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”.

- 8** Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code and the International Securities Identification Number (“ISIN”), and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms (including the Swiss securities number (*Valorenummer*) or German WKN number (*Wertpapierkennnummer*), as the case may be). The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L- 1855 Luxembourg. The address of any Alternative Clearing System will be specified in the relevant Final Terms.
- 9** Where information in this Prospectus has been sourced from third parties, this information has been accurately reproduced and as far as the Issuers are aware and are able to ascertain from the information published by such parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.
- 10** For so long as Notes may be issued pursuant to this Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the offices of Lloyds Bank plc, 25 Gresham Street, London EC2V 7HN and Lloyds Banking Group plc, The Mound, Edinburgh, EH1 1YZ:
- (a) the Agency Agreement;
  - (b) the Deed of Covenant;
  - (c) the Articles of Association of the Bank;
  - (d) the Bank’s 2015 Annual Report and the Bank’s 2014 Annual Report;
  - (e) the Bank’s Q1 2016 Interim Management Statement;
  - (f) the Articles of Association of the Company;
  - (g) the Company’s 2015 Annual Report and the Company’s 2014 Annual Report;
  - (h) the Q1 2016 Interim Management Statement;
  - (i) each Final Terms; and
  - (j) a copy of this Prospectus together with any Supplemental Prospectus or drawdown prospectus.

Unless otherwise stated in the relevant Final Terms, the relevant Issuer does not intend to provide post-issuance information in connection with any issue of Notes.

This Prospectus and the Final Terms for Notes that are listed on the Official List and admitted to trading on the Market will be published on the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com](http://www.londonstockexchange.com).

- 11** Copies of the latest audited consolidated Annual Reports of the Issuers will be available for inspection at the specified offices of each of the Fiscal Agents during normal business hours, so long as any of the Notes is outstanding.
- 12** PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors (members of the Institute of Chartered Accountants in England and Wales), have audited, and rendered unmodified audit reports on, the

annual consolidated published accounts of each of the Bank and the Company for the two financial years ended 31 December 2014 and 31 December 2015.

- 13** S&P is expected to rate: Notes issued by the Bank under the Programme with a maturity of one year or more “A” and Notes issued by the Company under the Programme with a maturity of one year or more “BBB+”; and Notes issued by the Bank under the Programme with a maturity of less than one year “A-1” and Notes issued by the Company under the Programme with a maturity of less than one year “A-2”. Notes issued by the Bank and/or the Company pursuant to the Programme will be rated by S&P on a case-by-case basis (if at all).

Fitch is expected to rate: Notes issued by the Bank under the Programme with a maturity of one year or more “A+” and Notes issued by the Company under the Programme with a maturity of one year or more “A+”; and Notes issued by the Bank under the Programme with a maturity of less than one year “F1” and Notes issued by the Company under the Programme with a maturity of less than one year “F1”. Notes issued by the Bank and/or the Company pursuant to the Programme will be rated by Fitch on a case-by-case basis (if at all).

Moody’s is expected to rate: Notes issued by the Bank under the Programme with a maturity of one year or more “A1” and Notes issued by the Company under the Programme with a maturity of one year or more “Baa1”; and Notes issued by the Bank under the Programme with a maturity of less than one year “P-1” and Notes issued by the Company under the Programme with a maturity of less than one year “P-2”. Notes issued by the Bank and/or the Company pursuant to the Programme will be rated by Moody’s on a case-by-case basis (if at all).

The credit ratings referred to and included in this Prospectus have been issued by S&P, Fitch and Moody’s, each of which is established in the EU and is registered under Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

Notes to be issued under the Programme will be rated or unrated. Where Notes are to be rated, such rating will not necessarily be the same as the rating assigned to Notes already issued. Whether or not a rating in relation to any Notes will be treated as having been issued by a credit rating agency established in the EU and registered under Regulation (EC) No. 1060/2009 (as amended) on credit rating agencies will be disclosed in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

- 14** The purpose of the Bank, which is set out in clause 4 of its memorandum of association, includes as its principal objective the carrying on of the business of banking in all its aspects including (but without limitation) the transaction of all financial monetary and other businesses. Pursuant to section 28 of the Companies Act 2006 the clauses of the memorandum of association are treated as provisions of the Bank’s articles of association with effect from 1 October 2009.

The Bank’s memorandum of association was last amended by special resolution passed on 24 April 1991. The Bank’s memorandum of association is available for inspection on the website of the Bank at [www.lloydsbankinggroup.com](http://www.lloydsbankinggroup.com).

- 15** The objects of the Company are unrestricted in accordance with its articles of association as amended by special resolution on 14 May 2015 and in accordance with section 31 of the Companies Act 2006.

The Company’s articles of association are available for inspection on the website of the Company at [www.lloydsbankinggroup.com](http://www.lloydsbankinggroup.com).

## GLOSSARY

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