



The Royal Bank of Scotland plc

(Incorporated in Scotland with limited liability under the Companies Acts 1948 to 1980, registered number SC090312)

U.S.\$50,000,000,000 Structured Note Programme

On 12 November 2002, The Royal Bank of Scotland plc (the **Issuer** or **RBS**) established a U.S.\$1,000,000,000 Structured Note Programme, as supplemented and amended (the **Programme**). The Programme size has been periodically increased and on 17 December 2007, it was increased to its current amount of U.S.\$50,000,000,000. Under the Programme the Issuer may, subject to compliance with all relevant laws, regulations and directives, from time to time issue notes (the **Notes**) denominated in any currency determined by the Issuer. The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$50,000,000,000 (or its equivalent in other currencies, subject to increase). This prospectus (this **Prospectus**) supersedes and replaces in its entirety the previous Prospectus dated 14 May 2009. Save as provided in the applicable Final Terms, any Notes issued under the Programme on or after the date of this Prospectus are issued subject to the provisions herein. This does not affect any Notes issued prior to the date of this Prospectus.

The Notes may be issued on a continuing basis to the Dealers specified below and/or any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a **Dealer** and together the **Dealers**).

Application has been made to the Financial Services Authority in its capacity as competent authority (the **UK Listing Authority**) under the Financial Services and Markets Act 2000 (the **FSMA**) for Notes issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the Official List of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market (the **Market**). References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**). The Programme provides that Notes may be listed on such other or additional stock exchange(s) as the Issuer may determine. The Issuer may also issue unlisted Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each issue of Notes will be set forth in a final terms document (**Final Terms**) which, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the UK Listing Authority and the London Stock Exchange.

The Notes may be in bearer form (**Bearer Notes**) or in registered form (**Registered Notes**).

The Issuer will not be obliged to gross up any payments in respect of any Notes and will not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or presentation and surrender for payment of any Note and all payments 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.

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. CERTAIN ISSUES OF NOTES INVOLVE A HIGH DEGREE OF RISK AND POTENTIAL INVESTORS SHOULD BE PREPARED TO SUSTAIN A LOSS OF ALL OR PART OF THEIR INVESTMENT. It is the responsibility of prospective purchasers to ensure that 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 the Notes and are not relying on the advice of the Issuer, the Trustee (as defined herein) or any Dealer or Distributor (as defined below) in that regard. See Risk Factors on page 14.

In the event that the Issuer determines in good faith that (i) either the performance of its obligations under a Series (as defined below) of Notes or that any arrangements made to hedge its position under such Notes has or will become unlawful, illegal, or otherwise prohibited in whole or in part under any applicable present or future law, rule, regulation, judgment, order or directive or (ii) the performance of its obligations under a Series of Notes or that any arrangements made to hedge its position under such Notes has resulted or will result in the Issuer or any affiliate not being entitled to tax relief in respect of any losses, costs or expenses incurred in connection therewith, the Issuer may, having given notice to Noteholders (which notice shall be irrevocable), redeem all, but not some only, of the Notes of such Series, each Note being redeemed at the Early Redemption Amount, all as further provided in Condition 5(i) (**Illegality**) or Condition 5(j) (**Taxation**), as the case may be.

The Issuer may issue Credit Linked Notes under the Programme where payments or other obligations of the Issuer under the Notes are linked to the credit of a specified entity or entities. Following the occurrence of certain events (which may include, amongst other things, Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium or Restructuring, as each term is defined in Condition 10 (*Credit Linked Notes*)) in relation to such specified entity(ies) and the satisfaction of other conditions, the Issuer's obligations under the Notes may be replaced by an obligation to pay other amounts calculated by reference to the price (as determined herein) of certain obligations relating to such specified entity(ies) or to deliver such obligations. Payments of principal and interest or any deliveries in respect of any Series of Credit Linked Notes may be restricted upon the occurrence of any Constraint Event (as defined in Condition 10 (*Credit Linked Notes*)) described in the applicable Final Terms. Such event may relate to the imposition of currency or exchange controls in any specified country or to a nationalisation, a hedging disruption, a credit rating downgrade in relation to a specified obligation or any other circumstance as provided in the applicable Final Terms. The Conditions of any Series of Credit Linked Notes may provide that, in any such event, the Issuer shall be entitled to require the Calculation Agent to adjust the Credit Linked Notes or to early redeem the Credit Linked Notes or to postpone payments or deliveries in respect of the Credit Linked Notes so long as the Constraint Event continues provided that if the Constraint Event continues for a period of two years the Credit Linked Notes shall expire worthless and be cancelled. In such event, Noteholders shall have no further recourse against the Issuer in respect of such Credit Linked Notes.

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

The Issuer may issue Notes in a form not contemplated by the Conditions herein, in which event (in the case of Notes intended to be listed on the London Stock Exchange) a supplementary prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The Issuer may issue Notes which are clearable through clearing systems other than or in addition to Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) including, but not limited to, the dematerialised and uncertificated securities trading system operated by Euroclear UK and Ireland Limited (**CREST**). The relevant provisions will be set out in the applicable Final Terms.

Any person (an **Investor**) intending to acquire or acquiring any Notes from any person (an **Offeror**) should be aware that, in the context of an offer to the public as defined in section 102B of the FSMA, the Issuer may only be responsible to the Investor for this Prospectus under section 90 of the FSMA only if the Issuer has authorised that Offeror to make the offer to the Investor. Each Investor should therefore enquire whether the Offeror is so authorised by the Issuer. If the Offeror is not authorised by the Issuer, the Investor should check with the Offeror whether anyone is responsible for the Prospectus for the purposes of section 90 of the FSMA in the context of the offer to the public, and, if so, who that person is. If the Investor is in any doubt about whether it can rely on the Prospectus and/or who is responsible for its contents, it should take legal advice. **Such information would be provided at the time of any sub-offers.**

Arranger

The Royal Bank of Scotland

Dealers

The Royal Bank of Scotland

The Royal Bank of Scotland N.V.

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the Prospectus Directive).

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. This Prospectus may only be used for the purposes for which it has been published.

The applicable Final Terms will (if applicable) specify the nature of the responsibility taken by the Issuer for the information relating to any underlying equity security, index, debt security, currency, commodity, government bond (or related futures contract), fund, inflation index, certificate or other item(s) (each a Reference Item) to which the relevant Notes relate and which is contained in such Final Terms. However, unless otherwise expressly stated in the Final Terms, any information contained therein relating to a Reference Item will only consist of extracts from, or summaries of, information contained in financial and other information released publicly by the issuer, owner or sponsor, as the case may be, of such Reference Item. Unless otherwise expressly stated in the applicable Final Terms, the Issuer accepts responsibility for accurately reproducing such extracts or summaries (insofar as it is applicable) and, so far as the Issuer is aware and is able to ascertain from information published by the issuer, 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 have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the Securities Act), and 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 U.S. persons (see Subscription and Sale on page 243).

This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see Documents Incorporated by Reference on page 32). This Prospectus shall be read and construed on the basis that such documents are so incorporated and form part of this Prospectus.

In relation to any issue of Notes, the Issuer may appoint one or more financial intermediaries (each a Distributor) to offer such Notes in such country or countries and on such terms as may be specified in the applicable Final Terms.

Each Dealer and/or Distributor 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 applicable Final Terms.

To the fullest extent permitted by law, none of the Dealers, Distributors or the Trustee accept any responsibility for the contents of this Prospectus or for any other statement, made or purported to be made by a Dealer, a Distributor or the Trustee or on its behalf in connection with the Issuer or the issue and offering of the Notes. Each Dealer, each Distributor and the Trustee 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.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Prospectus in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or Distributor, as the case may be.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or which is inconsistent with this Prospectus or any financial statements or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any Dealer, any Distributor or the Trustee.

Neither this Prospectus nor any financial statements or 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 by the Issuer, any Dealer, any Distributor or the Trustee that any recipient of this Prospectus or any financial statements or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each 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 Issuer and of the suitability of the relevant Notes as an investment in the light of its own circumstances and financial condition and after due consideration of an investment linked to any Reference Item(s). Neither this Prospectus nor any document incorporated by reference in this Prospectus constitutes an offer or invitation by or on behalf of the Issuer, any Dealer, any Distributor or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall at any time imply that the information contained in this Prospectus concerning the Issuer is correct at any time subsequent to the date of this Prospectus or that any other information supplied in connection with the Programme or the Notes is correct as of any time subsequent to the date indicated in the document containing the same. Any Dealer, Distributor and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or any of its subsidiaries during the life of the Programme. Investors should review, inter alia, the most recently published annual report and accounts of the Issuer when deciding whether or not to purchase any Notes.

The Issuer, any Dealer, any Distributor and the Trustee do not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Final Terms, no action has been taken by the Issuer, any Dealer, any Distributor or the Trustee which is intended to permit a public offering of any Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Prospectus or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and/or the offer or sale of Notes in the United States of America, the European Economic Area (including the United Kingdom and France), Japan, Switzerland, Hong Kong, The People's Republic of China, The Republic of China, the Republic of Korea and Singapore (see Subscription and Sale on page 243).

All references in this Prospectus to "euro" refer to the single currency of participating member states which was introduced on 1 January 1999 at the commencement of the third stage of European Economic and Monetary Union pursuant to the Treaty on European

Union, as amended, to “Yen” refer to Japanese Yen, to “Sterling”, “£” and “pounds” refer to pounds sterling and to “U.S. \$" and “U.S. dollars” refer to United States dollars.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms 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(s) (or persons acting on behalf of a 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 of Notes 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 of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

The Notes of each Tranche may be sold by the Issuer and/or any Dealer and/or any Distributor at such times and at such prices as the Issuer and/or the Dealer(s) and/or the Distributor(s) may select. There is no obligation on the Issuer or any Dealer or any Distributor to sell all of the Notes of a Tranche. The Notes may be offered or sold from time to time in one or more transactions, in the over-the-counter market at prevailing market prices or in negotiated transactions, at the discretion of the Issuer. No representation or warranty or other assurance is given as to the number of Notes of a Tranche issued or outstanding at any time.

TABLE OF CONTENTS

| | <i>Page</i> |
|---|-------------|
| SUMMARY OF THE PROGRAMME AND TERMS AND CONDITIONS OF THE NOTES | 6 |
| RISK FACTORS..... | 14 |
| DOCUMENTS INCORPORATED BY REFERENCE..... | 32 |
| FORM OF THE NOTES..... | 38 |
| FORM OF FINAL TERMS | 41 |
| TERMS AND CONDITIONS OF THE NOTES..... | 87 |
| USE OF PROCEEDS | 238 |
| UNITED KINGDOM TAXATION | 239 |
| SUBSCRIPTION AND SALE | 243 |
| GENERAL INFORMATION | 249 |

SUMMARY OF THE PROGRAMME AND TERMS AND CONDITIONS OF THE NOTES

This Summary must be read as an introduction to this Prospectus and any decision to invest in Notes should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference. Following implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area (Member State), no civil liability will attach to the Issuer in any such Member State in respect of this Summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in any such Member State, the plaintiff may, under the national legislation of that Member State, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.

Terms defined in “Risk Factors”, “Form of the Notes” and “Terms and Conditions of the Notes” shall have the same meanings in this summary.

Issuer: The Royal Bank of Scotland plc

The Issuer (together with its subsidiaries, the **Issuer Group**) is a wholly owned subsidiary of The Royal Bank of Scotland Group plc ((**RBSG**), together with its subsidiaries, the **Group**)). RBSG is the holding company of a large global banking and financial services group. Headquartered in Edinburgh, the Group operates in the United Kingdom, the United States and internationally through its two principal subsidiaries, the Issuer and National Westminster Bank Plc (**NatWest**). The Issuer is a public limited company incorporated in Scotland. The Issuer and NatWest are major United Kingdom clearing banks. In the United States, the Group’s subsidiary Citizens is a large commercial banking organisation. The Group has a large and diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers in over 50 countries.

The Group had total assets of £1,696.5 billion and owners’ equity of £77.7 billion as at 31 December 2009. The Group’s capital ratios as at that date, which included the equity minority interest of the State of the Netherlands and Banco Santander (**Santander**) in ABN AMRO Holding N.V (**ABN AMRO**), were a total capital ratio of 16.1 per cent., a Core Tier 1 capital ratio of 11.0 per cent., and a Tier 1 capital ratio of 14.1 per cent.

The Issuer had total assets of £1,333.0 billion and owners’ equity of £55.1 billion as at 31 December 2009. The Issuer’s capital ratios as at that date were a total capital ratio of 14.8 per cent. and a Tier 1 capital ratio of 10.5 per cent.

Risk Factors:

Risks Relating to the Issuer

- RBSG and its United Kingdom bank subsidiaries (including the Issuer) may face the risk of full nationalisation or other resolution procedures under the Banking Act 2009.

- The Issuer Group’s businesses, earnings and financial condition have been and will continue to be affected by the global economy and instability in the global financial markets.
- The Group was required to obtain state aid approval for the aid given to it by HM Treasury and for the Group’s state aid restructuring plan, from the European Commission. The Group is subject to certain risks resulting from its implementing such plan.
- The Group’s ability to implement its strategic plan depends on the success of the Group’s refocus on its core strengths and the balance sheet reduction programme arising out of its non-core restructuring and state aid restructuring plans.
- The extensive organisational restructuring may adversely affect the Issuer Group’s business, results and financial condition.
- Lack of liquidity is a risk to the Issuer Group’s business and its ability to access liquidity has been, and will continue to be, constrained.
- Governmental support schemes may be cancelled, changed, withdrawn or not renewed, which may negatively impact availability of funding in the markets in which the Issuer Group operates.
- The financial performance of the Issuer Group has been, and will be, affected by borrower credit quality.
- The failure or worsening credit of the Issuer Group’s counterparties has adversely affected, and could continue to adversely affect, the Issuer Group.
- The Issuer Group’s earnings and financial condition have been, and may continue to be, affected by depressed asset valuations.
- The value or effectiveness of any credit protection the Issuer Group has purchased from monoline and other insurers or counterparties depends on the value of the underlying assets and the financial condition of the insurers or counterparties.
- Changes in interest rates, foreign exchange rates, credit spreads, bond, equity and commodity prices and other factors have significantly affected and will continue to affect the Issuer Group’s business.
- The Issuer Group’s borrowing costs and its access to debt capital markets depend significantly on its and the United Kingdom government’s credit ratings, and its business

performance could be adversely affected if its capital is not managed effectively or if there are changes to capital adequacy and liquidity requirements.

- The value of certain financial instruments recorded at fair value is determined using models incorporating assumptions, judgements and estimates that may change over time or become inaccurate.
- The Issuer Group operates in highly competitive and consolidating markets, and if it is unable to perform effectively, its business and results will be adversely affected.
- As a condition to HM Treasury support, RBSG has agreed to certain undertakings which may limit the Group's operations.
- The Group could fail to attract or retain senior management, including board members, or other key employees, and it may suffer if it does not maintain good employee relations.
- Each of the Issuer Group's businesses is subject to substantial regulation and oversight, which could effect the Issuer Group's business, results and financial condition.
- The Issuer Group's results have been and could be further adversely affected by goodwill impairment.
- The Issuer Group may be required to make further contributions to its pension schemes if the value of pension fund assets is insufficient to cover potential obligations.
- The Issuer Group is and may be subject to litigation and regulatory investigations, and operational risks are inherent in its operations.
- The Issuer Group is exposed to the risk of changes in tax legislation and its interpretation, and to increases in tax rates in the jurisdictions in which it operates.
- HM Treasury (or UK Financial Investments on its behalf) may be able to exercise significant influence over the Group.
- The Issuer Group's operations have inherent reputational risk and its business and earnings may be affected by geopolitical conditions.
- In the United Kingdom and other jurisdictions, the Issuer Group is responsible for contributing to compensation schemes in respect of banks and other authorised financial services firms unable to meet their obligations to customers.
- The restructuring proposals for RBS Holdings N.V. are

complex and may not realise the anticipated benefits for the Group.

- The recoverability and regulatory capital treatment of certain deferred tax assets recognised by the Issuer Group depends on its ability to generate sufficient future taxable profits and there being no adverse changes to tax legislation, regulatory requirements or accounting standards.
- The Issuer has entered into a credit derivative and a financial guarantee contract with The Royal Bank of Scotland N.V which may adversely affect the Issuer Group's results.
- The Group is subject to additional risks related to the entry into the asset protection scheme and the issuance of the B and dividend access shares.

Risks relating to Notes

Notes may involve a high degree of risk.

There are certain material factors relevant to assessing the market risks associated with investing in Notes, including, without limitation, that Notes are unsecured obligations of the Issuer, a time lag between valuation and settlement, potential conflicts of interest, the trading activities of the Issuer and its affiliates may affect the return on Notes, market disruptions or other events may occur in respect of any relevant reference item(s), taxation risks, a substitution of the Issuer, illiquidity of the Notes in the secondary market, illegality of the performance of the Issuer's obligations under the Notes, exchange rate risks and exchange controls and that the market value of the Notes may be affected by the creditworthiness of the Issuer or the Group.

Prospective investors in Reference Item Linked Notes should understand the risks of transactions involving such Notes and 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 relevant reference item(s).

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

Information Relating to the Programme

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| Description: | Structured Note Programme. |
| Arranger: | The Royal Bank of Scotland plc. |
| Dealers: | The Royal Bank of Scotland plc and The Royal Bank of Scotland N.V. |
| Trustee: | The Law Debenture Trust Corporation p.l.c. |
| Agent: | The Bank of New York Mellon, acting through its London Branch. |
| Registrar: | In respect of Notes cleared through CREST, Computershare Investor Services PLC. |
| | In respect of Notes not cleared through CREST, The Bank of New York Mellon (Luxembourg) S.A. |
| Size: | Up to U.S.\$50,000,000,000 (or its equivalent) outstanding at any time. The Issuer may increase the Programme size. |
| Maturities: | As specified in the applicable Final Terms. |
| Issue Price: | Notes may be issued on a fully or partly paid basis and at par or at a discount to, or premium over, par. |
| Form of Notes: | Notes will be in bearer or registered form. Registered Notes will not be exchangeable for Bearer Notes and vice versa. |
| Clearing Systems | Euroclear and/or Clearstream, Luxembourg and/or any other clearing system as may be specified in the applicable Final Terms including, but not limited to, the dematerialised and uncertificated securities trading system operated by CREST. |
| Terms of the Notes: | Notes may or may not bear interest at a fixed or floating rate. Any interest and/or the redemption amount may be calculated by reference to movements in an index, inflation index or a currency exchange rate, changes in share, commodity, government bond (or related futures contact) or certificate prices, changes in the net asset value of a fund or changes in the credit of an underlying entity. Notes may have any combination of the foregoing features. |
| Change of Interest/Payment Basis: | Notes may be converted from one interest and/or payment basis to another if so provided in the applicable Final Terms. |
| Index Linked Notes: | Payments of principal and/or interest will be calculated by reference to a single index or basket of indices and/or such formula as specified in the applicable Final Terms. |
| | If an Index Adjustment Event occurs, the Notes may be subject to adjustment or may be redeemed. |
| Equity Linked Notes: | Payments of principal and/or interest will be calculated by reference to a single equity security or basket of equity securities and/or such formula as specified in the applicable Final Terms. |

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| | | The applicable Final Terms may specify redemption of Equity Linked Redemption Notes by physical delivery. |
| | | The Notes may be subject to adjustment or may be redeemed following the occurrence of certain events relating to the underlying equity security(ies)/issuer(s), if such events are specified as applying in the applicable Final Terms. |
| Additional Disruption Event: | | If “Additional Disruption Event” is specified as applying in the applicable Final Terms, the Notes may be subject to further adjustment or may be redeemed. |
| Credit Linked Notes: | | Notes linked to the credit of a specified entity or entities will be issued on terms determined by the Issuer and as specified in the applicable Final Terms. |
| | | If the Calculation Agent determines that a Constraint Event has occurred or exists, the Notes may be subject to adjustment or may be redeemed. |
| Currency Linked Notes: | | Payments of principal and/or interest will be made in such currencies, and by reference to such rates of exchange and/or such formula, as may be specified in the applicable Final Terms. |
| Commodity Linked Notes: | | Payments of principal and/or interest will be calculated by reference to a single commodity or basket of commodities and/or such formula as specified in the applicable Final Terms. |
| | | If a Market Disruption Event occurs in respect of the relevant commodity(ies), the Notes may be subject to adjustment or may be redeemed. |
| Government Bond Linked Notes: | | Payments of principal and/or interest will be calculated by reference to a single government bond (or related futures contract) or basket of government bonds (or related futures contracts) and/or such formula as specified in the applicable Final Terms. |
| | | If a Market Disruption Event occurs, the Notes may be subject to adjustment or may be redeemed. |
| Fund Linked Notes: | | Payments of principal and/or interest will be calculated by reference to a single fund or basket of funds and/or such formula as specified in the applicable Final Terms. |
| | | If certain Trigger Events occur (or may potentially occur), the Notes may be subject to adjustment or may be redeemed. |
| Inflation Index Linked Notes: | | Payments of principal and/or interest will be calculated by reference to a single inflation index or basket of inflation indices and/or such formula as specified in the applicable Final Terms. |
| | | Following the occurrence of certain events, the Notes may be subject to adjustment or may be redeemed. |

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| Certificate Linked Notes: | Payments of principal and/or interest will be calculated by reference to a single certificate or basket of certificates and/or such formula as specified in the applicable Final Terms. |
| | If a Market Disruption Event occurs, the Notes may be subject to adjustment or may be redeemed. |
| Zero Coupon Notes: | Notes issued on a non-interest bearing basis will be offered and sold at a discount to their nominal amount. |
| Partly Paid Notes: | Notes may be issued on a partly paid basis in which case interest will accrue on the paid-up amount of such Notes, subject as specified in the applicable Final Terms. |
| Instalment Notes: | Notes may be issued which are redeemable in instalments. |
| Other Notes: | The Issuer may issue Notes in a form not contemplated by or inconsistent with the Conditions, the provisions of which, will be specified in the applicable Final Terms. |
| Redemption: | The applicable Final Terms will indicate either that the Notes cannot be redeemed prior to their stated maturity (except in specified circumstances) or that they will be redeemable prior to such stated maturity at the option of the Issuer and/or Noteholders upon notice to the other party, at such price or prices and on such terms, as specified in the applicable Final Terms. |
| | The applicable Final Terms may provide that Notes may be redeemed in two or more instalments, on such dates and on such other terms as are indicated in such Final Terms. |
| Illegality and Taxation: | The Issuer may in certain circumstances, upon notice to Noteholders, redeem all (but not some only) of the Notes of a Series if it determines in good faith that the performance of any of its obligations or any hedging arrangements under or in connection with such Notes has or will become subject to illegality or adverse tax treatment. |
| Denomination of Notes: | As specified in the applicable Final Terms. |
| Taxation: | The Issuer will not be obliged to gross up any payments in respect of any Notes nor liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may result from the ownership, transfer or presentation and surrender for payment of any Note and all payments made by it shall be made subject to any tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted. |
| Status of the Notes: | Notes will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer. |
| Rating: | Notes may be rated or unrated. |
| Listing and admission to | Application has been made to admit any Notes issued to the Official |

trading: List and to trading on the Market.

Notes may be listed or admitted to trading, on other or additional stock exchanges or markets as specified in the applicable Final Terms. Notes which are neither listed nor admitted to trading on any market may also be issued.

Governing Law: English law.

Selling Restrictions: See “Subscription and Sale”.

Neither the Trust Deed nor any Notes contain any negative pledge covenant by the Issuer or any Events of Default other than as out in Condition 19.

RISK FACTORS

The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons (which the Issuer currently considers not to be material or of which it is not currently aware) and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

THE PURCHASE OF NOTES MAY INVOLVE SUBSTANTIAL RISKS AND MAY BE SUITABLE ONLY FOR INVESTORS WHO HAVE THE KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS NECESSARY TO ENABLE THEM TO EVALUATE THE RISKS AND THE MERITS OF AN INVESTMENT IN THE NOTES. PRIOR TO MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS SHOULD CONSIDER CAREFULLY, IN LIGHT OF THEIR OWN FINANCIAL CIRCUMSTANCES AND INVESTMENT OBJECTIVES, (I) ALL THE INFORMATION SET FORTH IN THIS PROSPECTUS AND, IN PARTICULAR, THE CONSIDERATIONS SET FORTH BELOW AND (II) ALL THE INFORMATION SET FORTH IN THE APPLICABLE FINAL TERMS. PROSPECTIVE INVESTORS SHOULD MAKE SUCH ENQUIRIES AS THEY DEEM NECESSARY WITHOUT RELYING ON THE ISSUER, THE TRUSTEE, ANY DEALER OR ANY DISTRIBUTOR.

AN INVESTMENT IN NOTES LINKED TO ONE OR MORE REFERENCE ITEMS (IF ANY) MAY ENTAIL SIGNIFICANT RISKS NOT ASSOCIATED WITH INVESTMENTS IN A CONVENTIONAL DEBT SECURITY, INCLUDING BUT NOT LIMITED TO THE RISKS SET OUT BELOW. THE AMOUNT PAID BY THE ISSUER ON REDEMPTION OF THE NOTES MAY BE LESS THAN THE NOMINAL AMOUNT OF THE NOTES, TOGETHER WITH ANY ACCRUED INTEREST, AND MAY IN CERTAIN CIRCUMSTANCES BE ZERO. WHERE THE NOTES ARE REDEEMED BY THE ISSUER BY DELIVERY OF REFERENCE ITEM(S) THE VALUE OF THE REFERENCE ITEM(S) MAY BE LESS THAN THE NOMINAL AMOUNT OF THE NOTES, TOGETHER WITH ANY ACCRUED INTEREST, AND MAY IN CERTAIN CIRCUMSTANCES (SUCH AS UPON EARLY REDEMPTION IN ACCORDANCE WITH CONDITION 5) BE ZERO.

CERTAIN ISSUES OF NOTES INVOLVE A HIGH DEGREE OF RISK AND POTENTIAL INVESTORS SHOULD BE PREPARED TO SUSTAIN A LOSS OF ALL OR PART OF THEIR INVESTMENT.

Terms used in this section and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Notes".

RISK FACTORS RELATING TO THE ISSUER

Investors should have regard to the risk factors set out on pages 7 to 37 of the Registration Document, as supplemented.

In connection therewith:

(i) the risk factor headed “As a condition to HM Treasury support, RBSG has agreed to certain undertakings which may serve to limit the Group’s operations and it may be required to agree to further restrictions in the future” on pages 20 and 21 of the Registration Document shall be deemed to be deleted in its entirety and replaced by the following:

“As a condition to HM Treasury support, RBSG has agreed to certain undertakings which may serve to limit the Group’s operations

Under the terms of the First Placing and Open Offer, RBSG provided certain undertakings aimed at ensuring that the subscription by HM Treasury of the relevant Ordinary Shares and preference shares and the Group’s participation in the Credit Guarantee Scheme offered by HM Treasury as part of its support for the United Kingdom banking industry are compatible with the common market under EU law. These undertakings include (i) supporting certain initiatives in relation to mortgage lending and lending to SMEs until 2011, (ii) regulating management remuneration and (iii) regulating the rate of growth of the Group’s balance sheet. Under the terms of the placing and open offer undertaken by RBSG in April 2009 (the “**Second Placing and Open Offer**”), the Group’s undertakings in relation to mortgage lending and lending to SMEs were extended to larger commercial and industrial companies in the United Kingdom. Pursuant to these arrangements, RBS agreed to make available to creditworthy borrowers on commercial terms, £16 billion above the amount RBSG had budgeted to lend to United Kingdom businesses and £9 billion above the amount RBSG had budgeted to lend to United Kingdom homeowners in the year commencing 1 March 2009. For a description of these undertakings, see paragraph 9 of Part IV of the Shareholder Circular, which is incorporated by reference herein.

In relation to the 2009 commitment period, which ended on 28 February 2010, the Group’s net mortgage lending to UK homeowners was £12.7 billion above the amount it had originally budgeted to lend. In relation to its business lending commitment, the Group achieved £60 billion of gross new lending to businesses, including £39 billion to SMEs but, in the economic environment prevailing at the time, many customers were strongly focused on reducing their borrowings and repayments consequently increased. Moreover, the withdrawal of foreign lenders was less pronounced than anticipated, there was a sharp increase in capital market issuance and demand continued to be weak. As a result, the Group’s net lending did not reach the £16 billion targeted.

In March 2010, RBS agreed with the United Kingdom government certain adjustments to the lending commitments for the 2010 commitment period (the 12 month period commencing 1 March 2010), to reflect expected economic circumstances over the period. As part of the amended lending commitments, RBS has committed, among other things, to make available gross new facilities, drawn or undrawn, of £50 billion to UK businesses in the period 1 March 2010 to 28 February 2011. In addition, RBS has agreed with the United Kingdom government

to make available £8 billion of net mortgage lending in the 2010 commitment period. This is a decrease of £1 billion on the net mortgage lending target that previously applied to the 2010 commitment period which ends on 28 February 2011, to reflect that the mortgage lending commitment for the 2009 commitment period was increased from £9 billion to £10 billion.

The Group has also agreed to certain other commitments, which are material for the structure of the Group and its operations, under the State aid restructuring plan approved by the European Commission in relation to State aid, as set out in Part I, Appendix 4 of the Shareholder Circular, which is incorporated by reference herein.

In addition, the Group, together with HM Treasury, has agreed with the European Commission a prohibition on the making of discretionary dividends (including on preference shares and B Shares) or coupon payments on existing hybrid capital instruments for a two-year period from a date commencing no later than 30 April 2010 (which the Group has subsequently announced shall be 30 April 2010). It is possible that the Group may, in future, be subject to further restrictions on payments on such hybrid capital instruments, whether as a result of undertakings given to regulatory bodies, changes to capital requirements such as the proposals published by the Basel Committee on 17 December 2009 or otherwise. The Group has also agreed to certain other undertakings in the Acquisition and Contingent Capital Agreement, as described in Part I, Appendix 3 of the Shareholder Circular, which is incorporated by reference herein (the “**Acquisition and Contingent Capital Agreement**”).

The undertakings described above may serve to limit the Group’s operations.”;

(ii) The risk factor headed “The restructuring proposals for ABN AMRO are complex and may not realise the anticipated benefits for the Group” on page 26 of the Registration Document shall be deemed to be deleted in its entirety and replaced by the following:

“The restructuring proposals for RBS Holdings N.V. are complex and may not realise the anticipated benefits for the Group

The restructuring plan in place for the integration and separation of the businesses of ABN AMRO Holding N.V., which was renamed RBS Holdings N.V. on 1 April 2010, into and among the businesses and operations of RBSG, the Dutch State and Banco Santander S.A. (the “**Consortium Members**”) is complex, involving substantial reorganisation of RBS Holdings N.V.’s operations and legal structure. The restructuring plan is being implemented and significant elements have been completed within the planned timescales and the integration of the Group’s businesses continues. Certain assets and liabilities of the RBS Holdings N.V. businesses acquired by the Dutch State were not part of the legal separation which occurred on 1 April 2010 and will be transferred to the Dutch State as soon as possible. In addition, certain assets within RBS Holdings N.V. continue to be shared by the Consortium Members.

The Group may not realise the benefits of the acquisition or the restructuring when expected or to the extent projected. The occurrence of any of these events, including as a result of staff losses or performance issues, or as a result of further disposals or restructurings by the Group, may have a negative impact on the Group’s financial condition and results of operations.”;

(iii) The risk factor headed “The Group was required to obtain State aid approval, for the aid given to the Group by HM Treasury and for the Group’s State aid restructuring plan, from the

European Commission. The Group is subject to a variety of risks as a result of implementing the State aid restructuring plan. The State aid restructuring plan includes a prohibition on the making of discretionary dividend or coupon payments on existing hybrid capital instruments (including preference shares and B Shares) for a two-year period commencing no later than 30 April 2010, which may impair the Group's ability to raise new Tier 1 capital through the issuance of ordinary shares and other Securities" on pages 10 to 12 (inclusive) of the Registration Document shall be deemed to be amended by the deletion of the words:

"For further details on the State aid restructuring plan, including a description of the Group's undertakings and the restrictions imposed, see (i) Part I, Appendix 4 of the Shareholder Circular and (ii) Appendix 4 to the 2009 Annual Results of RBSG, each of which is incorporated by reference herein.",

and their replacement with the words:

"For further details on the State aid restructuring plan, including a description of the Group's undertakings and the restrictions imposed, see Part I, Appendix 4 of the Shareholder Circular which is incorporated by reference herein.";

(iv) In the risk factor headed "The Group's businesses, earnings and financial condition have been and will continue to be affected by the global economy and instability in the global financial markets" on pages 9 and 10 of the Registration Document the following new paragraph shall be inserted immediately after the second paragraph therein:

"The performance of the Group may be affected by economic conditions impacting euro-zone member states. The financial problems experienced by the government of Greece, for example, may require it to issue significant amounts of indebtedness, which may reduce demand for debt issued by financial institutions and corporate borrowers. This could adversely affect the Group's access to the debt capital markets and may increase the Group's funding costs, having a negative impact on the Group's earnings and financial condition. In addition, euro-zone countries in which the Group operates may be required to provide financial assistance to Greece, which may in turn have a negative impact on the financial condition of those EU member states. Should the economic conditions facing Greece be replicated in other euro-zone member states, the risks above would be exacerbated.";

(v) The risk factor headed "The Group's earnings and financial condition have been, and its future earnings and financial condition may continue to be, affected by depressed asset valuations resulting from poor market conditions" on page 16 of the Registration Document shall be deemed to be amended by the deletion of the words:

"Further information about the write-downs which the Group has incurred and the assets it has reclassified during the year ended 31 December 2009 is set out on pages 151 to 171 of the 2009 Annual Results of RBSG, which are incorporated by reference herein.",

and their replacement with the words:

"Further information about the write-downs which the Group has incurred and the assets it has reclassified during the year ended 31 December 2009 is set out on pages 184 to 206 of the 2009 Annual Report and Accounts of RBSG, which are incorporated by reference herein.";

(vi) The risk factor headed “The Group’s business performance could be adversely affected if its capital is not managed effectively or if there are changes to capital adequacy and liquidity requirements” on pages 17 to 19 (inclusive) of the Registration Document shall be deemed to be amended by the deletion of the words:

“As at 31 December 2009, the Group’s Tier 1 and Core Tier 1 capital ratios were 14.1 per cent. and 11.0 per cent., respectively, calculated in accordance with FSA definitions (see pages 112 to 116 of the 2009 Annual Results of RBSG, which are incorporated by reference herein).”,

and their replacement with the words:

“As at 31 December 2009, the Group’s Tier 1 and Core Tier 1 capital ratios were 14.1 per cent. and 11.0 per cent., respectively, calculated in accordance with FSA definitions (see pages 120 to 126 of the 2009 Annual Report and Accounts of RBSG, which are incorporated by reference herein).”;

(vii) The risk factor headed “The Group’s results have been and could be further adversely affected in the event of goodwill impairment” on page 23 of the Registration Document shall be deemed to be amended by the deletion of the words:

“For the year ended 31 December 2009, the Group recorded a £363 million accounting write-down of goodwill and other intangible assets principally relating to ABN AMRO and NatWest goodwill allocated to Non-Core businesses (see page 173 of the 2009 Annual Results of RBSG, which are incorporated by reference herein).”,

and their replacement with the words:

“For the year ended 31 December 2009, the Group recorded a £363 million accounting write-down of goodwill and other intangible assets principally relating to ABN AMRO and NatWest goodwill allocated to Non-Core businesses (see pages 73, 302 and 303 of the 2009 Annual Report and Accounts of RBSG, which are incorporated by reference herein).”;

(viii) The risk factor headed “In the United Kingdom and in other jurisdictions, the Group is 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” on pages 25 and 26 of the Registration Document shall be deemed to be amended by the deletion of the words:

“During the financial year ended 31 December 2009, the Group has accrued £135 million for its share of Compensation Scheme management expenses levies for the 2009/10 and 2010/2011 Compensation Scheme years (see page 109 of the 2009 Annual Results of RBSG, which are incorporated by reference herein).”,

and their replacement with the words:

“During the financial year ended 31 December 2009, the Group has accrued £135 million for its share of Compensation Scheme management expenses levies for the 2009/10 and 2010/2011 Compensation Scheme years (see page 333 of the 2009 Annual Report and Accounts of RBSG, which are incorporated by reference herein).”; and

(ix) the following risk factor shall be deemed to be included at the end:

“RBS has entered into a credit derivative and a financial guarantee contract with The Royal Bank of Scotland N.V. which may adversely affect the Issuer Group’s results

RBS has also entered into a credit derivative and a financial guarantee contract with The Royal Bank of Scotland N.V., which is a subsidiary undertaking of RBSG, under which it has sold credit protection over the exposures held by The Royal Bank of Scotland N.V. and its subsidiaries that are subject to the APS. These agreements may adversely affect the Issuer Group's results as: (a) they cover 100% of losses on these assets whilst the APS provides 90% protection if losses on the whole APS portfolio exceed the first loss; and (b) the basis of valuation of the APS and the financial guarantee contract are asymmetrical: the one measured at fair value and the other at the higher of cost less amortisation and the amount determined in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets.”.

RISK FACTORS RELATING TO THE NOTES

The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Each of the risks highlighted below could adversely affect the trading price of any Notes or the rights of investors under any Notes and, as a result, investors could lose some or all of their investment. The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer may be unable to pay or deliver amounts on or in connection with any Notes for other reasons (which the Issuer currently considers not to be material or of which it is currently not aware) and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.

The Notes may not be a suitable investment for all investors

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

- (i) have sufficient knowledge and experience to evaluate the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement and all information contained in the applicable 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 Notes and the impact the Notes 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 Notes, including where the settlement currency is different from the currency in which such investor's principal financial activities are principally denominated;

- (iv) understand thoroughly the terms of the Notes and be familiar with any relevant indices and financial markets; and
- (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.

In addition, an investment in Index Linked Interest Notes, Index Linked Redemption Notes, Equity Linked Interest Notes, Equity Linked Redemption Notes, Credit Linked Notes, Currency Linked Interest Notes, Currency Linked Redemption Notes, Commodity Linked Interest Notes, Commodity Linked Redemption Notes, Government Bond Linked Interest Notes, Government Bond Linked Redemption Notes, Fund Linked Interest Notes, Fund Linked Redemption Notes, Inflation Index Linked Interest Notes, Inflation Index Linked Redemption Notes, Certificate Linked Interest Notes, Certificate Linked Redemption Notes or other Notes linked to other assets or bases of reference, 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 “Risks related to the structure of a particular issue of Notes” set out below.

Some 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 potential investor should not invest in Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor’s overall investment portfolio.

Risks relating to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of those Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common features.

Risks relating to Reference Item Linked Notes

Equity Linked Notes, Index Linked Notes, Credit Linked Notes, Currency Linked Notes, Commodity Linked Notes, Government Bond Linked Notes, Fund Linked Notes, Inflation Index Linked Notes and Certificate Linked Notes (each as defined below and together **Reference Item Linked Notes**) involve a high degree of risk.

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 applicable Final Terms.

As the amount of interest payable periodically and/or the Final Redemption Amount payable at maturity may be linked to the performance of the relevant Reference Item(s), an investor in a Reference Item Linked Note must generally be correct about the direction, timing and magnitude of an anticipated change in the value of the relevant Reference Item(s).

Where the applicable Final Terms specify one or more Reference Item(s), 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. 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 or delivery, as the case may be, of the relevant Final Redemption Amount(s) on the relevant Maturity Date as well as periodic payments of interest (if specified in the applicable Final Terms), all or some of which may be determined by reference to the performance of the relevant Reference Item(s). The applicable Final Terms will set out the provisions for the determination of the Final Redemption Amount and of any periodic interest payments.

PROSPECTIVE INVESTORS MUST REVIEW THE APPLICABLE FINAL TERMS TO ASCERTAIN WHAT THE RELEVANT REFERENCE ITEM(S) ARE AND TO SEE HOW BOTH THE FINAL REDEMPTION AMOUNT AND ANY PERIODIC INTEREST PAYMENTS 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 some or all of their investment if the value of the relevant Reference Item(s) does not move in the anticipated direction.

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.

If any of the relevant Reference Item(s) is an index, the value of such Reference Item on any day will reflect the value of its constituents on such day. Changes in the composition of such Reference Item and factors (including those described above) which either affect or may affect the value of the constituents, will affect the value of such Reference Item and therefore may affect the return on an investment in Reference Item Linked Notes.

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

Equity Linked Notes

Equity Linked Redemption Notes may be redeemable by the Issuer by payment of the par value amount and/or by the physical delivery of a given number of the Reference Item(s) and/or by payment of an amount determined by reference to the value of the Reference Item(s). Accordingly, an investment in Equity Linked Redemption Notes may bear similar

market risks to a direct equity investment and investors should take advice accordingly. Interest payable on Equity Linked Interest Notes may be calculated by reference to the value of one or more Reference Item(s). Equity Linked Interest Notes and Equity Linked Redemption Notes are referred to herein as **Equity Linked Notes**.

Index Linked Notes

Index Linked Redemption Notes may be redeemable by the Issuer by payment of either the par value amount or an amount determined by reference to the value of the Reference Item(s). Interest payable on Index Linked Interest Notes may be calculated by reference to the value of one or more Reference Item(s). Index Linked Interest Notes and Index Linked Redemption Notes are referred to herein as **Index Linked Notes**.

Credit Linked Notes

In the event of the occurrence of certain circumstances (which may include, amongst other things, Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium or Restructuring, as each such term is defined in Condition 10 (*Credit Linked Notes*)) in relation to a Reference Entity or Reference Entities, in each case, as specified in the applicable Final Terms, the Issuer's obligation to pay principal or perform other obligations under the Notes may be replaced by an obligation to pay other amounts calculated by reference to the price (as determined herein) of the Reference Item(s) and/or to deliver the Reference Item(s). In addition interest bearing Credit Linked Notes may cease to bear interest on or prior to the date of occurrence of such circumstances.

The Issuer's obligations in respect of Credit-Linked Notes are irrespective of the existence or amount of the Issuer's and/or any of its affiliates' credit exposure to a Reference Entity and the Issuer and/or any Affiliate need not suffer any loss nor provide evidence of any loss as a result of the occurrence of a Credit Event.

Under the Conditions of the Credit-Linked Notes, certain determinations in respect of Credit-Linked Notes may be made by reference to announcements, determinations and Resolutions made by ISDA and/or Credit Derivatives Determinations Committees. Such announcements, determinations and Resolutions could affect the redemption and settlement of the Credit-Linked Notes (including the quantum and timing of payments and/or deliveries on redemption). For the avoidance of doubt, neither the Issuer nor the Calculation Agent shall have any liability to any person for any determinations, redemption, calculations and/or delay or suspension of payments and/or redemption of Credit-Linked Notes resulting from or relating to announcements, publications, determinations and Resolutions made by ISDA and/or any Credit Derivatives Determinations Committees.

In relation to Credit-Linked Notes, no DC Party and no legal counsel or other third-party professional hired by a DC Party in connection with such DC Party's performance of its respective duties under the Rules and/or any relevant Credit Derivatives Auction Settlement Terms, as applicable, shall be liable to Noteholders. No DC Party and no legal counsel or other third-party professional hired by a DC Party in connection with such DC Party's performance of its respective duties under the Rules and/or any relevant Credit Derivatives Auction Settlement Terms is acting as fiduciary for, or as an advisor to, Noteholders.

Payments of principal and interest or other obligations of the Issuer in respect of any Series of Credit Linked Notes may be restricted upon the occurrence of any Constraint Event described in the applicable Final Terms. A Constraint Event may relate to the imposition of currency or exchange controls in any specified country or to a nationalisation, a hedging disruption, a credit rating downgrade in relation to a specified obligation or any other circumstance as provided in the applicable Final Terms. Following a Constraint Event, the Issuer shall be

entitled to require the Calculation Agent to adjust the relevant Credit Linked Notes or to early redeem such Credit Linked Notes or to postpone payments or deliveries in respect of such Credit Linked Notes so long as the Constraint Event continues provided that if the Constraint Event continues for a period of two years the Credit Linked Notes shall expire worthless and shall be cancelled.

Currency Linked Notes

Currency Linked Redemption Notes may be redeemable by the Issuer by payment of either the par value amount or an amount determined by reference to the value of the Reference Item(s). Interest payable on Currency Linked Interest Notes may be calculated by reference to the value of one or more Reference Item(s). Currency Linked Interest Notes and Currency Linked Redemption Notes are referred to herein as **Currency Linked Notes**.

In the course of day to day FX-trading, the Issuer and/or its affiliates may enter into transactions which may affect currency exchange rates. This in turn may affect the value of Currency Linked Notes and may trigger certain provisions of such Notes.

Commodity Linked Notes

Commodity Linked Redemption Notes may be redeemable by the Issuer by payment of either the par value amount or an amount determined by reference to the value of the Reference Item(s). Interest payable on Commodity Linked Interest Notes may be calculated by reference to the value of one or more Reference Item(s). Commodity Linked Interest Notes and Commodity Linked Redemption Notes are referred to herein as Commodity Linked Notes.

Government Bond Linked Notes

Government Bond Linked Redemption Notes may be redeemable by the Issuer by payment of either the par value amount or an amount determined by reference to the value of the Reference Item(s). Interest payable on Government Bond Linked Interest Notes may be calculated by reference to the value of one or more Reference Item(s). Government Bond Linked Interest Notes and Government Bond Linked Redemption Notes are referred to herein as **Government Bond Linked Notes**.

Fund Linked Notes

Fund Linked Redemption Notes may be redeemable by the Issuer by payment of either the par value amount or an amount determined by reference to the value of the Reference Item(s). Interest payable on Fund Linked Interest Notes may be calculated by reference to the value of one or more Reference Item(s). Fund Linked Interest Notes and Fund Linked Redemption Notes are referred to herein as **Fund Linked Notes**.

Inflation Index Linked Notes

Inflation Index Linked Redemption Notes may be redeemable by the Issuer by payment of either the par value amount or an amount determined by reference to the value of the Reference Item(s). Interest payable on Inflation Index Linked Interest Notes may be calculated by reference to the value of one or more Reference Item(s). Inflation Index Linked Interest Notes and Inflation Index Linked Redemption Notes are referred to herein as **Inflation Index Linked Notes**.

Certificate Linked Notes

Certificate Linked Redemption Notes may be redeemable by the Issuer by payment of either the par value amount or an amount determined by reference to the value of the Reference Item(s). Interest payable on Certificate Linked Interest Notes may be calculated by reference to the value of one or more Reference Item(s). Certificate Linked Interest Notes and Certificate Linked Redemption Notes are referred to herein as **Certificate Linked Notes**.

Euro-system Eligibility

The European Central Bank maintains and publishes a list of assets which are recognised as eligible collateral for Eurosystem monetary and intra-day credit operations. In certain circumstances, recognition may impact on (among other things) the liquidity of the relevant assets. Recognition (and inclusion on the list) is at the discretion of the Eurosystem and is dependent upon satisfaction of certain Eurosystem eligibility criteria and rules. If application is made to the European Control Board for any Notes to be recognised and added to the list of eligible assets, there can be no assurance that such Notes will be so recognised, or, if they are recognised, that they will continue to be recognised at all times during their life.

Calculation Agent Discretions

Under the Conditions of the Notes, the Calculation Agent may make certain determinations in respect of the Notes, and certain adjustments to the Conditions, which could affect the amount payable by the Issuer on the Notes. The Conditions will specify the reasons for, and the circumstances in, which the Calculation Agent will be able to make such determinations and adjustments. In exercising its right to make such determinations and adjustments the Calculation Agent is entitled to act in its sole and absolute discretion, but must act in good faith.

Risks relating to Notes generally

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

Notes are unsecured obligations

All Notes will represent direct, unconditional, unsecured and unsubordinated obligations of the 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 present and future unsecured and unsubordinated obligations of the Issuer.

Taxation and Expenses

Potential purchasers and sellers of Notes should be aware that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Notes are transferred. Noteholders are subject to the provisions of Condition 17 and payment and/or delivery of any amount due in respect of the Notes will be made subject to any tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

Potential purchasers who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, potential purchasers should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

If Physical Delivery is specified in the applicable Final Terms as applying in relation to any Notes, all Delivery Expenses arising from the delivery of the Reference Item(s) in respect of such Note shall be for the account of the relevant Noteholder and no delivery of the Reference Item(s) shall be made until all Delivery Expenses have been paid to the satisfaction of the Issuer by the relevant Noteholder.

No Claim against any Reference Item

A Note will not represent a claim against any Reference Item and, in the event of any loss, a Noteholder will not have recourse under a Note to any Reference Item.

Disrupted Days

Where the Notes are Index Linked Redemption Notes or Equity Linked Redemption Notes, the Calculation Agent may determine that a Disrupted Day has occurred or exists at a relevant time. Any such determination may have an effect on the value of the Notes and/or may delay settlement in respect of the Notes. Prospective investors should review the Conditions and the applicable Final Terms to ascertain whether and how such provisions apply to the Notes.

Settlement Risk

Where any Equity Linked Redemption Notes are to be settled by Physical Delivery, the Calculation Agent may determine that a Settlement Disruption Event is subsisting and/or, where “Failure to Deliver due to Illiquidity” is specified as applying in the applicable Final Terms, that it is impossible or impractical to deliver when due some or all of the assets due to be delivered due to illiquidity in the relevant market. Any such determination may affect the value of the Notes and/or may delay settlement in respect of the Notes and/or result in whole or partial cash settlement in respect of the Notes. Prospective investors should review the Conditions and the applicable Final Terms to ascertain whether and how such provisions apply to the Notes.

Potential Conflicts of Interest

Where the Issuer acts as Calculation Agent or the Calculation Agent is an affiliate of the 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 redemption of the Notes.

In relation to Credit-Linked Notes, where the Issuer or any affiliate of the Issuer is a DC Party, potential conflicts of interest may exist between the DC Party and Noteholders, including with respect to certain determinations and judgements that the Issuer or its affiliates may make in its capacity as a DC Party in connection with its performance of its respective duties under the Rules and/or any relevant Credit Derivatives Auction Settlement Terms. Action or determinations made by the Issuer or its affiliates in its capacity as a DC Party or as a participant in an Applicable Auction may affect the redemption and settlement of the Credit-Linked Notes (including the quantum and timing of payments on redemption).

The Issuer and/or any Dealer and/or any Distributor may at the date hereof or at any time hereafter be in possession of information in relation to a Reference Item that is or may be material in the context of the Notes and may or may not be publicly available to Noteholders. There is no obligation on the Issuer, any Dealer or any Distributor to disclose to Noteholders any such information.

The Issuer and/or any of its affiliates may have existing or future business relationships with

any Reference Item(s) or, if applicable, any of their subsidiaries or affiliates or any other person or entity having obligations relating to any of the Reference Item(s) (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 of the Reference Item(s) or any investor in the Notes.

The Issuer or one of its affiliates may be the sponsor or calculation agent in respect of (i) a Reference Item or (ii) one or more of the components of a Reference Item to which the Notes are linked. In such circumstances, the terms of the Reference Item (or component of the Reference Item) may provide the Issuer (or one of its affiliates) acting as sponsor or calculation agent with discretions to make certain determinations and judgements which may influence the price or level of such Reference Item (or component of the Reference Item). Those discretions may be adverse to the interest of the holders of the Notes and may negatively impact the value of the Notes.

Modification, waivers and substitution

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

The Conditions also provide that the Trustee may agree, without the consent of Noteholders, to (i) any modification (subject to certain exceptions as provided in the Trust Deed) of the Conditions or of the provisions of the Trust Deed which in its opinion is not materially prejudicial to the interests of the Noteholders or (ii) any modification of the Conditions or the provisions of the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated. Any such modification shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders in accordance with Condition 23 as soon as practicable thereafter.

The Trustee may also waive or authorise any breach or proposed breach of the Conditions or the provisions of the Trust Deed in relation to such Notes which, in its opinion, is not materially prejudicial to the interests of the holders of the Notes of the relevant Series.

In addition, pursuant to Condition 24 and the Trust Deed, the Trustee may agree, without the consent of the Noteholders, to the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 24 and the Trust Deed, including if, *inter alia*, (i) the obligations of such substituted principal debtor thereunder are guaranteed by the Issuer on a basis acceptable to the Trustee and (ii) the Trustee is satisfied that such substitution is not materially prejudicial to the interests of the Noteholders.

Partly Paid Notes

Prospective investors should note that, where the Notes are issued on a partly paid basis (such Notes, **Partly Paid Notes**), all rights arising under such Notes (including rights to payment of principal and interest) after the date on which any instalment is due shall be conditional upon the due payment of the relevant instalment. Accordingly, to the extent that any instalment is not paid when due, the relevant investor shall not be entitled to any rights in respect of the

relevant Notes (including any right to repayment of instalments already paid).

Illegality and Taxation

In the event that the Issuer determines in good faith that:

- (i) either the performance of its obligations under a Series of Notes or that any arrangements made to hedge its position under such Notes has or will become unlawful, illegal, or otherwise prohibited in whole or in part, or
- (ii) the performance of its obligations under a Series of Notes or that any arrangements made to hedge its position under such Notes has resulted or will result in the Issuer or any affiliate not being entitled to tax relief in respect of any losses, costs or expenses incurred in connection therewith,

the Issuer may, having given notice to Noteholders, redeem all, but not some only, of the Notes of such Series, each Note being redeemed at the Early Redemption Amount, together with, if so specified in the applicable Final Terms, accrued interest.

Index Adjustment Events

Where the Notes are Index Linked Notes and an Index Adjustment Event occurs, the Issuer may either require the Calculation Agent to determine if such Index Adjustment Event has a material effect on the Notes and if so, to calculate the Reference Price as further provided in Condition 7(b)(ii)(a) or the Issuer may elect to give notice to the Noteholders in accordance with Condition 23 and redeem all, but not some only, of the Notes, each Specified Amount being redeemed at the Early Redemption Amount determined in accordance with the applicable Final Terms together with, if so specified in the applicable Final Terms, accrued interest.

Potential Adjustment Events, De-listing, Merger Event, Nationalisation and Insolvency, Tender Offer and Adjustments for Equity Linked Notes in respect of Underlying Equities quoted in European Currencies

Where the Notes are Equity Linked Notes and Potential Adjustment Events and/or De-listing, Merger Event, Nationalisation and Insolvency and/or Tender Offer are specified as applying in the applicable Final Terms, the Notes may be subject to adjustment, including, if applicable, the substitution of the Underlying Equity or Underlying Equities or, in the case of the occurrence of a De-listing, Merger Event, Nationalisation, Insolvency and/or Tender Offer, may be redeemed as further provided in Condition 8(b).

In respect of Equity Linked Notes relating to Underlying Equities originally quoted, listed and/or dealt as of the Trade Date in a currency of a member state of the European Union that has not adopted the single currency in accordance with the Treaty establishing the European Community, as amended, if such Underlying Equities are at any time after the Trade Date quoted, listed and/or dealt exclusively in euro on the relevant Exchange, then the Notes will be subject to such adjustment as the Calculation Agent determines to be appropriate to preserve the economic terms of the Notes.

Currency Exchange Rate Adjustment

Where the Notes are Currency Linked Notes, if a day on which a Currency Exchange Rate is to be determined is not a Currency Business Day, such day may be deferred, brought forward or omitted as determined by the Calculation Agent as further provided in Condition 6(b)(i).

Commodity Market Disruption Event Adjustment

Where the Notes are Commodity Linked Notes and the Calculation Agent determines that a Market Disruption Event has occurred or is occurring, then the Calculation Agent shall determine if such Market Disruption Event has a material effect on the Notes and, if so, the Calculation Agent may make such adjustments to any of the Conditions as it considers appropriate to account for any such Market Disruption Event, or the Issuer may give notice to the Noteholders in accordance with Condition 23 and redeem all, but not some only, of the Notes, each Specified Amount being redeemed at the Early Redemption Amount determined in accordance with the applicable Final Terms together with, if so specified in the applicable Final Terms, accrued interest.

Government Bond Market Disruption Event Adjustment

Where the Notes are Government Bond Linked Notes and the Calculation Agent determines that a Market Disruption Event has occurred or is occurring, then the Calculation Agent shall determine if such Market Disruption Event has a material effect on the Notes and, if so, the Calculation Agent may make such adjustments to any of the Conditions as it considers appropriate to account for any such Market Disruption Event, or the Issuer may give notice to the Noteholders in accordance with Condition 23 and redeem all, but not some only, of the Notes, each Specified Amount being redeemed at the Early Redemption Amount determined in accordance with the applicable Final Terms together with, if so specified in the applicable Final Terms, accrued interest.

Fund Trigger Event Adjustment

Where the Notes are Fund Linked Notes and the Calculation Agent determines that a Trigger Event or Potential Trigger Event, or a certain Insolvency or Merger Event has occurred or is occurring, then the Calculation Agent may, among other things, make such adjustments to the Conditions as it considers appropriate to account for any such event, or the Issuer may give notice to the Noteholders in accordance with Condition 23 and redeem all, but not some only, of the Notes, each Specified Amount being redeemed at the Early Redemption Amount determined in accordance with the applicable Final Terms together with, if so specified in the applicable Final Terms, accrued interest.

Inflation Index Adjustment Events

Where the Notes are Inflation Index Linked Notes and certain modifications or alterations are made in respect of the relevant Inflation Index or such Inflation Index is discontinued, the Issuer may make such adjustments to the Conditions as it considers appropriate to account for any such event, or the Issuer may elect to give notice to the Noteholders in accordance with Condition 23 and redeem all, but not some only, of the Notes, each Specified Amount being redeemed at the Early Redemption Amount determined in accordance with the applicable Final Terms together with, if so specified in the applicable Final Terms, accrued interest.

Certificate Market Disruption Event Adjustment

If the Calculation Agent determines that on any Business Day a Market Disruption Event has occurred or is occurring, then the Calculation Agent shall determine if such Market Disruption Event has a material effect on the Notes and, if so, the Calculation Agent may make such adjustments to any of the Conditions as it considers appropriate to account for any such Market Disruption Event or the Issuer may give notice to the Noteholders in accordance with Condition 23 and redeem all, but not some only, of the Notes, each Specified Amount being redeemed at the Early Redemption Amount determined in accordance with the

applicable Final Terms together with, if so specified in the applicable Final Terms, accrued interest.

Hedging

In the ordinary course of its business, including without limitation in connection with its market making activities, the Issuer 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 Reference Item(s) or related derivatives. In addition, in connection with the offering of the Notes, the Issuer and/or any of its affiliates may enter into one or more hedging transactions with respect to 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 Issuer and/or any of its affiliates, the Issuer and/or any of its affiliates may enter into transactions in any Reference Item(s) or related derivatives which may affect the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the relevant Noteholders.

Change of Law

The Conditions are based on English law in effect as at the date of issue of the 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 Notes.

Notes where denominations involve integral multiples: definitive Bearer Notes

In relation to any issue of Bearer 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 such Bearer Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Bearer Note in respect of such holding (should definitive Bearer Notes be printed) and would need to purchase a principal amount of Bearer Notes such that its holding amounts to a Specified Denomination.

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

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.

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 may be made to list the Notes on a stock exchange, as indicated in the applicable Final Terms. The fact that Notes may 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 the 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 exercised, 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.

Each of the Issuer and any Dealer and any Distributor 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. A Dealer and/or any Distributor may, but is not obliged to, be a market-maker for an issue of Notes. Even if a Dealer and/or any Distributor 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, an investor may have to exercise such Notes to realise value.

Over-Issuance

As part of its issuing, market-making and/or trading arrangements, the Issuer may issue more Notes than those which are to be subscribed or purchased by third party investors. The 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.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency specified in the applicable Final Terms. This presents certain risks relating to currency conversions if an investor'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 (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable in respect of the Notes and (iii) 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, investors may receive less interest or principal than expected or no interest or principal.

Market Value of Notes

The market value of an issue of Notes will be affected by a number of factors independent of the creditworthiness of the Issuer, including, but not limited to:

- (i) the value and volatility of any relevant Reference Item(s);
- (ii) in the case of Credit Linked Notes, the creditworthiness of the specified entity or entities;
- (iii) where the Reference Item(s) is/are equity securities, the dividend rate on the Reference Item(s) and the financial results and prospects of the issuer of each Reference Item;
- (iv) market interest and yield rates;

- (v) fluctuations in exchange rates;
- (vi) liquidity of the Notes or any Reference Item(s) in the secondary market;
- (vii) the time remaining to any redemption date or the maturity date;
- (viii) economic, financial and political events in one or more jurisdictions, including factors affecting capital markets generally and the stock exchange(s) on which any Reference Item may be traded.

The price at which a Noteholder will be able to sell any Notes prior to maturity may be at a discount, which could be substantial, to the market value of such Notes on the issue date, if, at such time, the market price of the Reference Item(s) (if any) is below, equal to or not sufficiently above the market price of the Reference Item(s) on the issue date. The historical market prices of any Reference Item should not be taken as an indication of such Reference Item's future performance during the term of any Note.

Effect of credit rating reduction

The value of the Notes is expected to be affected, in part, by investors' general appraisal of the Issuer's creditworthiness. Such perceptions are generally influenced by the ratings accorded to the Issuer's outstanding securities by standard statistical rating services, such as Moody's, S&P and Fitch. A reduction in the rating, if any, accorded to outstanding debt securities of the Issuer by one of these rating agencies could result in a reduction in the trading value of the Notes.

Prospective investors who consider purchasing any Notes should reach an investment decision only after carefully considering the suitability of such Notes in light of their particular circumstances.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following information, which has been previously published and which has been approved by the FSA or filed with it:

- (a) the registration document of the Issuer dated 10 March 2010, which was published via the Regulatory News Service (**RNS**) of the London Stock Exchange plc (the **London Stock Exchange**) on 10 March 2010, provided that (i) the following statement shall be deemed to be included at the end of page 50: "Brendan Nelson has been appointed as a Non-executive Director of RBSG and RBS with effect from 1 April 2010. Brendan will succeed Archie Hunter as Chairman of the Group Audit Committee with effect from the conclusion of the Group's Annual General Meeting on 28 April 2010."; (ii) the first paragraph under the heading "No Significant Change and No Material Adverse Change" on page 60 shall be deemed to be deleted in its entirety and replaced by the following statement: "There has been no significant change in the trading or financial position of RBS and its subsidiaries taken as a whole since 31 December 2009 (the end of the last financial period for which either audited financial information or interim financial information has been published)."; (iii) the second paragraph under the heading "No Significant Change and No Material Adverse Change" on page 61 shall be deemed to be deleted in its entirety and replaced by the following statement: "There has been no material adverse change in the prospects of the Issuer Group taken as a whole since 31 December 2009 (the last date to which the latest audited published financial information of the Issuer Group was prepared)."; (iv) the risk factors headed (A) "As a condition to HM Treasury Support, RBSG has agreed to certain undertakings which may serve to limit the Group's operations and it may be required to agree to further restrictions in the future"; (B) "The restructuring proposals for ABN AMRO are complex and may not realise the anticipated benefits for the Group"; (C) "The Group was required to obtain State aid approval, for the aid given to the Group by HM Treasury and for the Group's State aid restructuring plan, from the European Commission. The Group is subject to a variety of risks as a result of implementing the State aid restructuring plan. The State aid restructuring plan includes a prohibition on the making of discretionary dividend or coupon payments on existing hybrid capital instruments (including preference shares and B Shares) for a two-year period commencing no later than 30 April 2010, which may impair the Group's ability to raise new Tier 1 capital through the issuance of ordinary shares and other Securities"; (D) "The Group's earnings and financial condition have been, and its future earnings and financial condition may continue to be, affected by depressed asset valuations resulting from poor market conditions"; (E) "The Group's business performance could be adversely affected if its capital is not managed effectively or if there are changes to capital adequacy and liquidity requirements"; (F) "The Group's results have been and could be further adversely affected in the event of goodwill impairment"; and (G) "In the United Kingdom and in other jurisdictions, the Group is 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" shall each be deemed to be amended as set out in *Risk Factors*, sub-section *Risk Factors relating to the Issuer*; (v) the risk factor set out in paragraph (viii) of *Risk Factors*, sub-section *Risk Factors relating to the Issuer* shall be deemed to be included; and (vi) the final paragraph on page 38 under the heading "Description of the Royal Bank of Scotland plc shall be deemed to be deleted in its entirety and replaced by the following: "On 17 October 2007, RFS Holdings B.V. (**RFS Holdings**"), which at the time was owned by RBSG, Fortis N.V., Fortis

S.A./N.V., Fortis Bank Nederland (Holding) N.V. and Banco Santander, S.A. (“**Santander**”), completed the acquisition of ABN AMRO Holding N.V. (which was renamed RBS Holdings N.V. on 1 April 2010). RFS Holdings, which is now jointly owned by RBSG, the Dutch State and Santander (the “**Consortium Members**”), is continuing the process of implementing an orderly separation of the business units of RBS Holdings N.V. As part of this reorganisation, on 6 February 2010, the businesses of RBS Holdings N.V. acquired by the Dutch State were legally demerged from the RBS Holdings N.V. businesses acquired by the Group and were transferred into a newly established holding company, ABN AMRO Bank N.V. (save for certain assets and liabilities acquired by the Dutch State that were not part of the legal separation and which will be transferred to the Dutch State as soon as possible). Legal separation of ABN AMRO Bank N.V. occurred on 1 April 2010, with the shares in that entity being transferred by RBS Holdings N.V. to a holding company called ABN AMRO Group N.V., which is owned by the Dutch State. Certain assets within RBS Holdings N.V. continue to be shared by the Consortium Members. RBS Holdings N.V. is a fully operational bank within the Group and is independently rated and licensed and regulated by the Dutch Central Bank.” (the **Registration Document**);

- (b) the Prospectus dated 14 May 2009 relating to the Issuer’s U.S.\$50,000,000,000 Structured Note Programme, excluding all sections except for the section headed “Terms and Conditions of the Notes” (as supplemented), in so far as such section relates to any Notes (if so specified in the applicable Final Terms) and the section headed “Form of Final Terms” (as supplemented), in so far as such section relates to any Notes;
- (c) the annual report and accounts of the Issuer (including the audited consolidated annual financial statements of the Issuer, together with the audit report thereon) for the year ended 31 December 2009 (excluding the section headed “Risk Factors” on pages 5 to 23), published on 9 April 2010;
- (d) the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2008 together with the audit report thereon;
- (e) the following sections of the 2009 annual report and accounts of The Royal Bank of Scotland Group plc (**RBSG**), published on 18 March 2010:
 - (i) Independent auditors’ report to the members of The Royal Bank of Scotland Group plc on page 240;
 - (ii) Consolidated income statement for the year ended 31 December 2009 on page 241;
 - (iii) Consolidated statement of comprehensive income for the year ended 31 December 2009 on page 242;
 - (iv) Balance sheets as at 31 December 2009 on page 243;
 - (v) Statements of changes in equity for the year ended 31 December 2009 on pages 244 to 246;
 - (vi) Cash flow statements for the year ended 31 December 2009 on page 247;
 - (vii) Accounting policies on pages 248 to 258;
 - (viii) Notes on the accounts for the year ended 31 December 2009 on pages 259 to 348;

- (ix) What we have achieved on page 1;
- (x) Chairman's statement on pages 2 to 3;
- (xi) Group Chief Executive's review on pages 4 to 6;
- (xii) Our strategic plan and progress on pages 12 to 19;
- (xiii) Divisional review on pages 20 to 41;
- (xiv) Business review on pages 49 to 206;
- (xv) Report of the Directors on pages 208 to 213;
- (xvi) Corporate governance on pages 214 to 222;
- (xvii) Letter from the Chairman of the Remuneration Committee on pages 223 to 224;
- (xviii) Directors' remuneration report on pages 225 to 236;
- (xix) Directors' interests in shares on page 237;
- (xx) Financial Summary on pages 350 to 359;
- (xxi) Exchange rates on page 359;
- (xxii) Economic and monetary environment on page 360;
- (xxiii) Supervision on page 361;
- (xxiv) Regulatory developments and reviews on pages 361 to 362;
- (xxv) Description of property and equipment on pages 362 to 363;
- (xxvi) Major shareholders on page 363;
- (xxvii) Material contracts on pages 363 to 369; and
- (xxviii) Glossary of terms on pages 383 to 387.

(f) the following sections of the 2008 annual report and accounts of RBSG, published via RNS on 9 March 2009:

- (i) Independent auditors' report for the year ended 31 December 2008 on pages 172 to 173;
- (ii) Consolidated income statement for the year ended 31 December 2008 on page 174;
- (iii) Balance sheets as at 31 December 2008 on page 175;
- (iv) Statements of recognised income and expense for the year ended 31 December 2008 on page 176;
- (v) Cash flow statements for the year ended 31 December 2008 on page 177;
- (vi) Accounting policies on pages 178 to 188;
- (vii) Notes on the accounts for the year ended 31 December 2008 on pages 189 to

266;

(viii) Business review on pages 23 to 144;

(ix) Report of the Directors on pages 148 to 152;

(x) Corporate governance on pages 153 to 158;

(xi) Letter from the Chairman of the Remuneration Committee on page 159;

(xii) Directors' remuneration report on pages 160 to 168;

(xiii) Directors' interests in shares on page 169;

(xiv) Amounts in accordance with IFRS on pages 268 to 277;

(xv) Exchange rates on page 277;

(xvi) Economic and monetary environment on page 278;

(xvii) Supervision on page 279;

(xviii) Regulatory reviews and developments on pages 280 to 281;

(xix) Description of property and equipment on page 281;

(xx) Major shareholders on page 281; and

(xxi) Material contracts on pages 281 to 284;

(g) the following sections of the prospectus published on 16 March 2009 in connection with RBSG's placing and open offer of 16,909,716,385 ordinary shares, which comprises a prospectus prepared in accordance with the Prospectus Rules of the UK Listing Authority made under section 73A of the FSMA:

(i) "Important Information" on pages 28 to 31;

(ii) Part I (Letter From the Chairman of RBS) on pages 35 to 39 excluding the paragraphs under the heading "Trading and outlook" on pages 38 and 39;

(iii) Appendix to the Letter From the Chairman of RBS on pages 40 to 50 excluding Part A paragraph 10 (Overseas Shareholders) on page 46, Part A paragraph 11 (UK and US Taxation) on page 46 and Part A paragraph 12 (Action to be taken in respect of the Open Offer) on pages 46 to 48;

(iv) the following paragraphs of Part IX (Additional Information) on pages 106 to 151:

- 8 (Remuneration details, Directors' service contracts and letters of appointment) on pages 122 to 126;
- 9 (Board practices) on pages 126 to 128; and
- 13 (RBS Employee Share Plans) on pages 130 to 138; and

(v) Part XI (Definitions) on pages 154 to 162;

(h) the following sections of the Shareholder Circular published by RBSG on 27

November 2009:

- (i) "Financial Information" on page 5;
- (ii) "Part I – Letter From the Chairman of RBS" on pages 10 to 20;
- (iii) "Appendix 2 to the Letter From the Chairman of RBS – Principal Terms and Conditions of the APS" on pages 46 to 75;
- (iv) "Appendix 3 to the Letter From the Chairman of RBS – Principal Terms of Issue of the B Shares and the Dividend Access Share" on pages 76 to 84;
- (v) "Appendix 4 to the Letter From the Chairman of RBS – Key Terms of the State Aid Restructuring Plan" on pages 85 to 86;
- (vi) "Part II – Capital Resources and Liquidity Management" on pages 89 to 94;
- (vii) "Part IV – Additional Information – 9 Material contracts" on pages 111 to 118;
- (viii) "Part VI – Definitions" on pages 121 to 133;
- (ix) "Annex 1 – Terms of Issue of the B Shares and the Dividend Access Share" on pages 134 to 170; and
- (x) "Annex 3 – Scheme Principles" on pages 177 to 181;

- (i) the announcement headed "The Royal Bank of Scotland Group plc, The Royal Bank of Scotland plc and National Westminster Bank Plc – Clarification of Contractual Position Relating to Payments Under Preference Shares and Subordinated Securities", published via RNS on 20 October 2009;
- (j) the press release headed "The Royal Bank of Scotland Group plc (RBSG) - Convertible Preference Share, Employee Deferral Plan and Liability Management", published via RNS on 25 March 2010;
- (k) the press release headed "The Royal Bank of Scotland Group plc Announces Proposed Liability Management Exercise", published via RNS on 25 March 2010;
- (l) the press release headed "The Royal Bank of Scotland Group plc and National Westminster Bank Public Limited Company Announce a Proposed Liability Management Exercise", published via RNS on 25 March 2010;
- (m) the press release headed "The Royal Bank of Scotland Group plc launches Upper Tier 2 Exchange Offers and Tier 1 Tender Offers and Announces Further Details of EC Dividend/Coupon Deferral", published via RNS on 6 April 2010; and
- (n) the press release headed "The Royal Bank of Scotland Group plc and National Westminster Bank Public Limited Company Launch a Cash Tender Offer for Certain Outstanding Securities; Further Details of EC Dividend/Coupon Deferral Announced", published via RNS on 6 April 2010,

each of which shall be deemed to be incorporated in, and form part of, this Prospectus.

Any document which is incorporated by reference into any of the documents deemed to be incorporated by reference in, and form part of, this Prospectus shall not constitute a part of

this Prospectus.

The Issuer 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 financial information which is incorporated herein by reference. Written or oral requests for such financial information should be directed to the Issuer at its principal office set out at the end of this Prospectus.

In addition, copies of documents incorporated by reference in this Prospectus will be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/>.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus or publish a new prospectus in accordance with the Prospectus Directive for use in connection with any subsequent issue of Notes.

FORM OF THE NOTES

Each Tranche of Notes will be either Bearer Notes or Registered Notes.

Each Tranche of Bearer Notes will be initially issued as specified in the applicable Final Terms in the form of either (a) a temporary global Note (a **Temporary Global Note**) in bearer form, (b) a permanent global note (a **Permanent Global Note**) in bearer form, or (c) (in the case of Partly Paid Notes and if so specified in the applicable Final Terms) an instalment global note (an **Instalment Global Note** and, together with any Temporary Global Notes and any Permanent Global Notes, each a **Global Note**) in bearer form, in any such case, without Receipts, Coupons or Talons (each as defined in "*Terms and Conditions of the Notes*" below), which, in any case, will:

- (i) if the Global Notes are intended to be issued in new global note (**NGN**) form, because they are intended to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear and Clearstream, Luxembourg; and
- (ii) if the Global Notes are intended to be issued in classic global note (**CGN**) form, be delivered on or prior to the issue date for such Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

Delivering the Global Notes to 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 the life of such Global Note. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

If the Global Note is issued in CGN form, upon the initial deposit of a Global Note with the Common Depositary, 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 issued in NGN form, 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.

Whilst any Bearer Note is represented by a Temporary Global Note, payments of principal and interest (if any) and any other amounts payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note, if the Temporary Global Note is intended to be issued in CGN form) outside the United States and its possessions only to the extent that certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations (in the form referred to in the Temporary Global Note) has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

In the case of a Tranche of Bearer Notes initially represented by a Temporary Global Note, on and after the date (the **Exchange Date**) which is 40 days after the date on which the Temporary Global Note is issued, interests in the Temporary Global Note will be exchangeable (provided that, if it is a Partly Paid Note, all instalments of the subscription moneys have been paid), free of charge, as specified in the applicable Final Terms either for

interests in a Permanent Global Note or for definitive Bearer Notes with, where applicable, Receipts, Coupons and Talons attached, in each case against certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations in accordance with the terms set out in the Temporary Global Note, unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to receive any payment of interest, principal or other amounts due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for interests in a Permanent Global Note or for definitive Bearer Notes is improperly withheld or refused. Pursuant to the Agency Agreement (as defined under "*Terms and Conditions of the Notes*" below) the Agent shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned a common code and an ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series of Notes and shall remain different until at least 40 days after the completion of the distribution of the Notes of such further Tranche as certified by the Agent to the relevant Dealer(s).

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is intended to be issued in CGN form) outside the United States and its possessions without any requirement for certification.

A Permanent Global Note will be exchangeable free of charge, in whole or (subject to the Bearer Notes which continue to be represented by the Permanent Global Note being regarded by Euroclear and Clearstream, Luxembourg as fungible with the definitive Bearer Notes issued in partial exchange for such Permanent Global Note) in part, for definitive Bearer Notes with, where applicable, Receipts, Coupons and Talons attached, upon not less than 60 days' written notice from, in the case of (i) or (ii) below, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee to the Agent or, in the case of (iii) below, the Issuer, to the Agent and the Noteholders, in each case as described therein, at the cost and expense of the Issuer and only in the following circumstances specified in the applicable Final Terms (if "limited circumstances" are so specified then only (i) and (ii) below shall apply and if "at any time" is so specified then only (iii) below shall apply): (i) the Permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg and either 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 and no alternative clearing system satisfactory to the Trustee is available, or (ii) an Event of Default (as defined in the Trust Deed) occurs and is continuing in relation to the Notes represented by the Permanent Global Note, or (iii) at the option of the Issuer at any time.

An Instalment Global Note will be exchangeable (upon payment by the bearer thereof of all, or in preparation of the next or final instalment of, the Issue Price in respect of the Notes represented thereby in accordance with the terms thereof) for interests in a further Instalment Global Note (which may (in accordance with the terms thereof) in turn be exchanged for (a) further Instalment Global Note(s) or (b) definitive Bearer Notes) or definitive Bearer Notes (all as indicated in the applicable Final Terms). The forms of any such Instalment Global Note(s) shall be attached to the applicable Final Terms.

Global Notes and definitive Bearer Notes will be issued pursuant to the Agency Agreement and the Trust Deed. No definitive Bearer Note delivered in exchange for a Permanent Global Note will be mailed or otherwise delivered to any location in the United States in connection with such exchange. At the date hereof, neither Euroclear nor Clearstream, Luxembourg regard Notes in global form as fungible with Notes in definitive form. Temporary Global Notes, Permanent Global Notes and definitive Bearer Notes will be authenticated and delivered by the Agent on behalf of the Issuer.

The following legend will appear on all Global Notes and definitive Bearer Notes which have an original maturity of more than 365 days and on all Receipts, Coupons and Talons relating to such Notes:

“Any United States person (as defined in the Internal Revenue Code of the United States) 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.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, Receipts or Coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Bearer Notes, Receipts or Coupons.

For so long as any of the Notes is represented by a Global Note, each person who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, the Agent and any other Paying Agent (as defined in “*Terms and Conditions of the Notes*” below) as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal, interest or any other amounts on such nominal amount of such Notes, the right to which shall be vested, as against the Issuer, the Trustee, the Agent and any other Paying Agent, solely in the bearer of the Global Note in accordance with and subject to its terms (or the Trustee in accordance with the Trust Deed) and the expressions **Noteholder**, **holder of Notes** and related expressions shall be construed accordingly. Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear and/ or Clearstream, Luxembourg, as the case may be.

Any reference herein (except in the section headed “*United Kingdom Taxation*”) to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system (other than CREST) approved by the Issuer, the Agent and the Trustee.

Registered Notes cleared through CREST will be issued pursuant to the Registry Services Agreement (as defined under “*Terms and Conditions of the Notes*” below) in dematerialised and uncertificated form.

Registered Notes not cleared through CREST will be issued pursuant to the Agency Agreement in definitive registered form (or such other form contemplated by the Agency Agreement).

Bearer Notes will not be exchangeable for Registered Notes and Registered Notes will not be exchangeable for Bearer Notes.

FORM OF FINAL TERMS

Set out below is the form of Final Terms for each Tranche of Notes which will contain such of the following information (which may be modified in relation to any particular issue of Notes by agreement between the Issuer, the Agent and the relevant Dealer(s)) as is applicable in respect of such Notes:

Final Terms dated [●]

The Royal Bank of Scotland plc
*(Incorporated in Scotland with limited liability under the
Companies Acts 1948 to 1980, registered number 90312)*

[Description of Notes]

[Issue Price: [●] per cent.]

**U.S.\$50,000,000,000
Structured Note Programme**

[The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

- (i) in circumstances in which no obligation arises for the Issuer 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, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in Paragraph [●] of Part A below, provided such person is one of the persons mentioned in Paragraph [●] of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances].¹

[The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer 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, in each case, in

¹ Consider including this legend where a non-exempt offer of Notes is anticipated.

relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances].²

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the **Conditions**) set forth in the Prospectus dated 27 April 2010 as supplemented at the date hereof which constitutes a base prospectus for the purposes of Directive 2003/71/EC (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 the Prospectus as 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. [The Prospectus and any supplementary prospectus are available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/> and copies may be obtained, free of charge, during normal business hours from the registered office of the Issuer and from the specified offices of each of the Paying Agents.]

[The following alternative language applies if (i) the first Tranche of an issue which is being increased was issued under or (ii) the offering of a Series of Notes was conducted under, a Prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the **Conditions**) set forth in the Prospectus dated [original date] as supplemented at the date hereof. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (the **Prospectus Directive**) and must be read in conjunction with the Prospectus dated 27 April 2010 as supplemented at the date hereof, which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [original date] as supplemented at the date hereof and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms, the Prospectus dated 27 April 2010 and the Prospectus dated [original date] as supplemented at the date hereof. [The Prospectus and any supplementary prospectus are available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/> and copies may be obtained, free of charge, during normal business hours from the registered office of the Issuer and from the specified offices of each of the Paying Agents.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]

[When adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]

1. Issuer: The Royal Bank of Scotland plc
2. (i) Series Number: [●]

2 Consider including this legend where only an exempt offer of Notes is anticipated.

| | | |
|---|---|--|
| (ii) | Tranche Number: | [•] |
| <i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)</i> | | |
| 3. | Specified Currency or Currencies: | [•] |
| 4. | Aggregate Nominal Amount: | |
| | [(i)] Series: | [•] |
| | [(ii)] Tranche: | [•]] |
| 5. | Issue Price: | [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] <i>(in the case of fungible issues only, if applicable)</i>] <i>(Required only for listed issues – check with relevant stock exchange)</i> |
| 6. | (i) Specified Denominations: | [•] |
| | <i>(in the case of Registered Notes, this means the minimum integral amount in which transfers can be made)</i> | <i>(Note – where Bearer Notes with multiple denominations above €50,000 or equivalent are being used the following sample wording should be followed:</i> |
| | | <i>“€50,000 and integral multiples of €1,000 in excess thereof up to and including €99,000. No Notes in definitive form will be issued with a denomination above €99,000.”)</i> |
| | | <i>[Not relevant if Notes are being issued in registered form]</i> |
| (ii) | Calculation Amount: | <i>(If only one Specified Denomination, insert the Specified Denomination.</i> |
| | <i>(Applicable to Notes in definitive form)</i> | <i>If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)</i> |
| 7. | (i) Issue Date: | [•] |
| | (ii) Interest Commencement Date: | [•] |
| 8. | Maturity Date: | <i>[specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year] (the Scheduled Maturity Date) [N.B. Care must be taken to ensure that if the Notes are Index Linked, Equity Linked, Currency Linked, Commodity</i> |

Linked, Government Bond Linked, Fund Linked, Inflation Index Linked, Certificate Linked or otherwise involve a computation, in any case by reference to one or more Valuation Dates or Averaging Dates, as the case may be, which may be postponed pursuant to the Conditions of such Notes, the Maturity Date is likewise postponed and cannot occur prior to an acceptable period before the last occurring Valuation Date or the Final Averaging Date, as the case may be].

9. Interest/Payment Basis:

[[●] per cent. Fixed Rate]
[[LIBOR/EURIBOR] +/- [●] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Equity Linked Interest]
[Currency Linked Interest]
[Commodity Linked Interest]
[Government Bond Linked Interest]
[Fund Linked Interest]
[Inflation Index Linked Interest]
[Certificate Linked Interest]
[Non-interest bearing]
[specify other]

(further particulars specified below)

10. Redemption/Payment Basis:

[Redemption at par]
[Index Linked Redemption]
[Equity Linked Redemption]
[Credit Linked]
[Currency Linked Redemption]
[Commodity Linked Redemption]
[Government Bond Linked Redemption]
[Fund Linked Redemption]
[Inflation Index Linked Redemption]
[Certificate Linked Redemption]
[Partly Paid]
[Instalment]
[specify other]

11. Change of Interest or Redemption/Payment Basis:

[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]

12. Put/Call Options:

[Investor Put]
[Issuer Call]
[(further particulars specified below)]

13. Status of the Notes:

Senior

14. Method of distribution:

[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

| | |
|--|--|
| 15. Fixed Rate Note Provisions | [Applicable/Not Applicable] |
| <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> | |
| (i) Rate[(s)] of Interest: | [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/ (specify)] in arrear] |
| (ii) Interest Payment Date(s): | [●] in each year [adjusted in accordance with [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]/not adjusted] |
| (iii) Additional Business Centre(s): | [●] <i>(NB: only relevant where Business Day Convention is applicable)</i> |
| (iv) Fixed Coupon Amount[(s)]: | [●] per Calculation Amount <i>(Applicable to Notes in definitive form)</i> |
| (v) Broken Amount(s): | [●] per Calculation Amount, payable on the Interest Payment Date falling in/on [●] <i>(Applicable to Notes in definitive form)</i> |
| (vi) Day Count Fraction: | [Actual/Actual or Actual/Actual (ISDA) Actual/365 (Fixed) Actual/360 30E/360 or Eurobond Basis Actual/Actual (ICMA) specify other] |
| (vii) Determination Date(s): | [●] in each year [<i>Insert interest payment dates except where there are long or short periods. In these cases, insert regular interest payment dates</i>] (NB: Only relevant where Day Count Fraction is Actual/Actual (ICMA)) |
| (viii) Other terms relating to the method of calculating interest for Fixed Rate Notes: | [Not Applicable/give details] |
| 16. Floating Rate Note Provisions | [Applicable/Not Applicable] |
| <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate)</i> | |
| (i) Specified Period(s)/Specified Interest | [●] |

Payment Dates:

(ii) First Interest Payment Date: [●]

(iii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]

(iv) Additional Business Centre(s): [●]

(v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]

(vi) Party responsible for calculating the Interest Amount(s) (if not the Agent or, as the case may be, the Registrar): [●]

(vii) Screen Rate Determination: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- Reference Rate: [●]
(Either LIBOR, EURIBOR or other, although additional information is required if other - including fallback provisions in the Agency Agreement)

- Interest Determination Date(s): [●]
(Second day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)

- Relevant Screen Page: [●]
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)

(viii) ISDA Determination: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- Floating Rate Option: [●]
- Designated Maturity: [●]
- Reset Date: [●]

(ix) Margin(s): [+/-][●] per cent. per annum

(x) Minimum Rate of Interest: [●] per cent. per annum

(xi) Maximum Rate of Interest: [●] per cent. per annum

(xii) Day Count Fraction: [Actual/Actual or Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/360
30/360 or 360/360 or Bond Basis
30E/360 or Eurobond Basis
specify other]

(See Condition 3(c) for alternatives)

(xiii) Fall back provisions, rounding [●] provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:

17. Zero Coupon Note Provisions [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Accrual Yield: [●] per cent. per annum
- (ii) Reference Price: [●]
- (iii) Any other formula/basis of determining [●] amount payable:
- (iv) Day Count Fraction in relation to Early [Conditions 5(d)(ii) and 5(h) apply/specify Redemption Amounts and late payment: other]

(Consider applicable day count fraction if not U.S. dollar denominated)

18. Index Linked Interest Note Provisions [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Provisions for determining Rate of [Give or annex details] Interest and/or Interest Amount:
- (ii) Whether the Notes relate to a basket of [Basket of Indices/Single Index]

| | |
|---|---|
| indices or a single index, the identity of | <i>[(Give or annex details)]</i> |
| the relevant Index/Indices and details of | |
| the relevant index sponsors and whether | <i>[Details of each Index Sponsor]</i> |
| such Index/Indices are a Multi-Exchange | |
| Index: | <i>Multi-Exchange Index [Yes/No]</i> |
| | <i>[The X Percentage [applies/does not apply]</i> |
| | <i>in relation to such Index]</i> |
| (iii) Exchange(s): | [•] |
| (iv) Related Exchange(s): | <i>[[•]/All Exchanges]</i> |
| (v) [Valuation Date/Averaging Dates]: | [•] |
| [Adjustment provisions in the event of a Disrupted Day: | <i>[Omission/Postponement/Modified Postponement]</i> |
| | <i>(NB: only applicable where Averaging Dates are specified)]</i> |
| [Reference Price: | <i>[Condition 7(c) applies/other]</i> |
| | <i>(NB: if fallback set out in the definition of "Valuation Date" in Condition 7(c) does not apply, set out method for determining the Reference Price in the event that each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day)</i> |
| (vi) [Relevant Time/Valuation Time]: | <i>[Condition 7 applies/other]</i> |
| (vii) Strike Price: | [•] |
| (viii) Trade Date: | [•] |
| (ix) Correction of Index Levels: | Correction of Index Levels [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction]. |
| | <i>(If Correction of Index Levels does not apply, delete the following sub-paragraph)</i> |
| [Correction Cut-Off Date: | <i>[[•] Business Days prior to the relevant Specified Interest Payment Date/In relation to Averaging Dates other than the final Averaging Dates, [•] days after the relevant Averaging Date and in relation to the final Averaging Date, [•] Business Days prior to the relevant Specified Interest Payment Date]].</i> |

(Repeat as necessary where there are more Indices or insert a table)

| | | |
|---------|---|--|
| (x) | Party responsible for calculating the Interest Amount(s) (if not the Agent or, as the case may be, the Registrar): | [•] |
| (xi) | Specified Period(s)/Specified Interest Payment Dates: | [N.B. Care must be taken to ensure that each Specified Interest Payment Date is postponed and cannot occur prior to an acceptable period before the last occurring Valuation Date or the Final Averaging Date, as the case may be, in respect of each such Specified Interest Payment Date]. |
| (xii) | Business Day Convention: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)] |
| (xiii) | Additional Business Centre(s): | [•] |
| (xiv) | Minimum Rate of Interest: | [•] per cent. per annum |
| (xv) | Maximum Rate of Interest: | [•] per cent. per annum |
| (xvi) | Day Count Fraction: | [•] |
| (xvii) | Additional Disruption Events: | See paragraph 39 |
| (xviii) | Other terms or special conditions: | [•] |
| 19. | Equity Linked Interest Note Provisions | [Applicable/Not Applicable] <i>(If not applicable, delete remaining sub-paragraphs of this paragraph)</i> |
| (i) | Provisions for determining Rate of Interest and/or Interest Amount: | [Give or annex details] |
| (ii) | Whether the Notes relate to a basket of Underlying Equities or a single Underlying Equity and the identity of the relevant issuer(s) of the Underlying Equity/Equities: | [Basket of Underlying Equities/Single Underlying Equity] [Give or annex details of each Underlying Equity and each Equity Issuer] |
| (iii) | [Valuation Date/Averaging Dates]: | [•] |
| | [Adjustment provisions in the event of a Disrupted Day: | [Omission/Postponement/Modified Postponement] <i>(NB: only applicable where Averaging Dates are specified)</i> |
| | Reference Price: | [Condition 8(e) applies/other] |

(NB: if fallback set out in the definition of “Valuation Date” in Condition 8(e) does not apply, set out method for determining the Reference Price in the event that each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date (or Scheduled Averaging Date, as the case may be) is a Disrupted Day)

| | |
|---|--|
| (iv) Valuation Time: | [Condition 8(e) applies/other] |
| (v) Exchange: | [•] |
| (vi) Related Exchange(s): | [[•]/All Exchanges] |
| (vii) Potential Adjustment Events: | [Applicable/Not Applicable] |
| (viii) De-listing, Merger Event, Nationalisation and Insolvency: | [Applicable/Not Applicable] |
| (ix) Tender Offer: | [Applicable/Not Applicable] |
| (x) Equity Substitution: | <i>[Delete paragraph if applicable]/[Not Applicable]</i> |
| (xi) Correction of Underlying Equity Prices: | Correction of Underlying Equity Prices [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction]. |
| <i>(If Correction of Underlying Equity Prices does not apply, delete the following sub-paragraph)</i> | |
| [Correction Cut-Off Date: | [[•] Business Days prior to each Specified Interest Payment Date.] |
| (xii) Strike Price: | [•] |
| (xiii) Exchange Rate: | [Applicable/Not Applicable] |
| <i>[Insert details]</i> | |

(Repeat as necessary where there are more Underlying Equities or insert a table)

| | |
|---|-----|
| (xiv) Trade Date: | [•] |
| (xv) Party responsible for calculating the Interest Amount(s) (if not the Agent or, as the case may be, the Registrar): | [•] |
| (xvi) Specified Period(s)/Specified Interest Payment Dates: | [•] |

| | | |
|---|--|---|
| (xvii) Business Day Convention: | [Floating Business Day Following Convention/Preceding Convention/ <i>specify other</i>] | Rate Convention/Following Convention/Modified Business Day |
| (xviii) Additional Business Day Centre(s): | [•] | |
| (xix) Minimum Rate of Interest: | [•] | |
| (xx) Maximum Rate of Interest: | [•] | |
| (xxi) Day Count Fraction: | [•] | |
| (xxii) Additional Disruption Events: | See paragraph 39 | |
| (xxiii) Other terms or special conditions: | [•] | |
| 20. Commodity Linked Interest Note Provisions | | [Applicable/Not Applicable] |
| | | <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| (i) Provisions for determining Rate of Interest and/or Interest Amount: | | [Give or annex details] |
| (ii) Whether the Notes relate to a basket of Commodities on a single Commodity and identity of the relevant commodity(ies): | [Basket of Commodities/Single Commodity] | [Give or annex details] |
| (iii) [Valuation Date/Averaging Dates]: | [•] | |
| (iv) Strike Date: | [•] | |
| (v) Commodity: | [•] | |
| (vi) Information Source: | [•] | |
| (vii) Commodity Reference Price: | [•]/[The Specified Price as published by the Price Source]/[Commodity Reference Dealers] | |
| (viii) Correction of Commodity Reference Price: | [Applicable/Not Applicable] | |
| (ix) Price Materiality Percentage: | [[•]/Not Applicable] | |
| (x) Exchange: | [•] | |
| (xi) Futures Contract: | [•] | |
| (xii) Delivery Date: | [[•]/[•] Nearby Month] | |
| (xiii) Price Source: | [•] | |

(xiv) Specified Price: [(A) the high price; (B) the low price; (C) the average of the high price and the low price; (D) the closing price; (E) the opening price; (F) the bid price; (G) the asked price; (H) the average of the bid price and the asked price; (I) the settlement price; (J) the official settlement price; (K) the official price; (L) the morning fixing; (M) the afternoon fixing; (N) the fixing; (O) the spot price; or (P) [Other – please specify]

(xv) Market Disruption Event: [Price Source Disruption]
[Trading Disruption]
[Disappearance of Commodity Reference Price]
[Material Change in Formula]
[Material Change in Content]
[Tax Disruption]
[Other – Please specify]

(xvi) Reference Dealers: [[●]/The Calculation Agent]
(Repeat as necessary where there are more Commodities or insert a table)

(xvii) Trade Date:

(xviii) Party responsible for calculating the [●]
Interest Amount(s) (if not the Agent or, as the case may be, the Registrar): **[N.B. Care must be taken to ensure that each Specified Interest Payment Date is postponed and cannot occur prior to an acceptable period before the last occurring Commodity Valuation Date, as the case may be, in respect of each such Specified Interest Payment Date]**

(xix) Specified Period(s)/Specified Interest Payment Dates: [●]

(xx) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]

(xxi) Additional Business Centre(s): [●]

(xxii) Minimum Rate of Interest: [●] per cent. per annum

| | | |
|---------|--|--|
| (xxiii) | Maximum Rate of Interest: | [●] per cent. per annum |
| (xxiv) | Day Count Fraction: | [●] |
| (xxv) | Additional Disruption Events: | See paragraph 39 |
| (xxvi) | Other terms or special conditions: | [●] |
| 21. | Currency Linked Interest Note Provisions | [Applicable/Not Applicable] |
| | | <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| (i) | Relevant Currency(ies): | |
| (ii) | Provisions for determining Rate of Interest and/or Interest Amount: | |
| | Currency Exchange Rate(s): | [spot currency exchange rate] [currency exchange rate] [●] expressed as the amount of [insert currency] per one [insert currency] which appears on the Screen Page |
| | | Valuation Date: [Not Applicable/[●]] |
| | | Averaging Date(s): [Not Applicable/[●]] |
| | | Observation Date(s): [Not Applicable/[●]] |
| | | Valuation Time: [●] |
| | | Screen Page: [●] [Bloomberg Code:[●] <Currency>][or] |
| | | [Reuters RIC Code: [●]] |
| | | <i>(Repeat as necessary where there are more than one Currency Exchange Rate or insert a table)</i> |
| (iii) | Trade Date: | [●] |
| (iv) | Party responsible for calculating the Rate of Interest and/or Interest Amount(s) (if not the Agent or, as the case may be, the Registrar): | [●] |
| (v) | Specified Period(s)/Specified Interest Payment Dates: | [●] |
| (vi) | Business Day Conventions: | [Floating Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)] |

(vii) Addition Business Centre(s): [●]

(viii) Minimum Rate of Interest: [●] per cent. per annum

(ix) Maximum Rate of Interest: [●] per cent. per annum

(x) Day Count Fraction: [●]

(xi) Additional Disruption Events: See paragraph 39

(xii) Other terms or special conditions: [●]

22. Government Bond Linked Interest Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Provisions for determining Rate of *[Give or annex details]* Interest and/or Interest Amount:

(ii) Whether the Notes relate to a basket of [Basket of Government Bonds/Single Government Bonds or a single Government Bond] *[Give or annex details]* Government Bond and identity of the relevant Government Bond(s) and/or related Reference Asset(s) (if any):

(iii) [Valuation Date/Averaging Dates]: [●]

(iv) Information Source: [●]

(v) Exchange: [●]

(vi) *[Contract][specify details of related [●] futures contract (if any)]*:

(Repeat as necessary where there are more Government Bonds or insert a table)

(vii) Trade Date: [●]

(viii) Party responsible for calculating the [●] Interest Amount(s) (if not the Agent or, as the case may be, the Registrar): **[N.B. Care must be taken to ensure that each Specified Interest Payment Date is postponed and cannot occur prior to an acceptable period before the last occurring Government Bond Valuation Date, as the case may be, in respect of each such Specified Interest Payment Date]**

(ix) Specified Period(s)/Specified Interest [●] Payment Dates:

(x) Business Day Convention: Floating Rate Convention/Following

| | | Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)] |
|--------|--|--|
| (xi) | Additional Business Centre(s): | [●] |
| (xii) | Minimum Rate of Interest: | [●] per cent. per annum |
| (xiii) | Maximum Rate of Interest: | [●] per cent. per annum |
| (xiv) | Day Count Fraction: | [●] |
| (xv) | Additional Disruption Events: | See paragraph 39 |
| (xvi) | Other terms or special conditions: | [●] |
| 23. | Fund Linked Interest Note Provisions | [Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| (i) | Provisions for determining Rate of Interest and/or Interest Amount: | [Give or annex details] |
| (ii) | Whether the Notes relate to a basket of Funds or a single Fund and identity of the relevant Fund(s): | [Basket of Funds/Single Fund] [Give or annex details] |
| (iii) | [Valuation Date/Averaging Dates]: | [●] |
| (iv) | Information Source: | [●] |
| (v) | [Replacement Fund:] | [Applicable/Not Applicable] |
| (vi) | [Suspension Asset:] | [Applicable/Not Applicable] |
| (vii) | Effective Date: | [●] |
| | | <i>(Repeat as necessary where there are more Funds or insert a table)</i> |
| (viii) | Trade Date: | [●] |
| (ix) | Party responsible for calculating the Interest Amount(s) (if not the Agent or, as the case may be, the Registrar): | [●] [N.B. Care must be taken to ensure that each Specified Interest Payment Date is postponed and cannot occur prior to an acceptable period before the last occurring Fund Valuation Date, as the case may be, in respect of each such Specified Interest Payment Date] |
| (x) | Specified Period(s)/Specified Interest Payment Dates: | [●] |

| | | | |
|--------|--|--|--|
| (xi) | Business Day Convention: | [Floating Business Day Following Business Convention/Preceding Business Convention/other (give details)] | Rate Convention/Following Day Convention/Modified Day |
| (xii) | Additional Business Centre(s): | [•] | |
| (xiii) | Minimum Rate of Interest: | [•] | per cent. per annum |
| (xiv) | Maximum Rate of Interest: | [•] | per cent. per annum |
| (xv) | Day Count Fraction: | [•] | |
| (xvi) | Additional Disruption Events: | See paragraph 39 | |
| (xvii) | Other terms or special conditions: | [•] | |
| 24. | Inflation Index Linked Interest Note Provisions | [Applicable/Not Applicable] | |
| | | <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> | |
| (i) | Provisions for determining Rate of Interest and/or Interest Amount: | <i>[Give or annex details]</i> | |
| (ii) | Whether the Notes relate to a basket of Inflation Indices or a single Inflation Index | <i>[Basket of Inflation Indices/Single Inflation Index and identity of the relevant Inflation Index/Indices]</i> | |
| (iii) | [Valuation Date/Averaging Dates]: | [•] | |
| (iv) | Information Source: | [•] | |
| (v) | Inflation Fixing Months: | [•] | |
| | <i>(Repeat as necessary where there are more Inflation Indices or insert a table)</i> | | |
| (vi) | Trade Date: | [•] | |
| (vii) | Party responsible for calculating the Interest Amount(s) (if not the Agent or, as the case may be, the Registrar): | [•] | [N.B. Care must be taken to ensure that each Specified Interest Payment Date is postponed and cannot occur prior to an acceptable period before the last occurring Inflation Index Valuation Date, as the case may be, in respect of each such Specified Interest Payment Date] |
| (viii) | Specified Period(s)/Specified Interest Payment Dates: | [•] | |

| | | | |
|--------|---|--|--|
| (ix) | Business Day Convention: | [Floating Business Day Following Business Convention/Preceding Business Convention/other (give details)] | Rate Convention/Following Day Convention/Modified Day |
| (x) | Additional Business Centre(s): | [●] | |
| (xi) | Minimum Rate of Interest: | [●] per cent. per annum | |
| (xii) | Maximum Rate of Interest: | [●] per cent. per annum | |
| (xiii) | Day Count Fraction: | [●] | |
| (xiv) | Additional Disruption Events: | See paragraph 39 | |
| (xv) | Other terms or special conditions: | [●] | |
| 25. | Certificate Linked Interest Note Provisions | [Applicable/Not Applicable] | |
| | | <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> | |
| (i) | Provisions for determining Rate of Interest and/or Interest Amount: | <i>[Give or annex details]</i> | |
| (ii) | Whether the Notes relate to a basket of Certificates or a single Certificate and identity of the relevant Certificate(s): | <i>[Basket of Certificates/Single Certificate]</i> <i>[Give or annex details]</i> | |
| (iii) | [Valuation Date/Averaging Dates]: | [●] | |
| (iv) | Information Source: | [●] | |
| | <i>(Repeat as necessary where there are more Certificates or insert a table)</i> | | |
| (v) | Trade Date: | [●] | |
| (vi) | Party responsible for calculating the Interest Amount(s) (if not the Agent or, as the case may be, the Registrar): | [●] | [N.B. Care must be taken to ensure that each Specified Interest Payment Date is postponed and cannot occur prior to an acceptable period before the last occurring Certificate Valuation Date, as the case may be, in respect of each such Specified Interest Payment Date] |
| (vii) | Specified Period(s)/Specified Interest Payment Dates: | [●] | |
| (viii) | Business Day Convention: | [Floating Business Day Following Business Day] | Rate Convention/Following Day Convention/Modified Day |

| | | Convention/Preceding Convention/other (give details)] | Business Day |
|--------|------------------------------------|--|-----------------|
| (ix) | Additional Business Centre(s): | [●] | |
| (x) | Minimum Rate of Interest: | [●] per cent. per annum | |
| (xi) | Maximum Rate of Interest: | [●] per cent. per annum | |
| (xii) | Day Count Fraction: | [●] | |
| (xiii) | Additional Disruption Events: | See paragraph 39 | |
| (xiv) | Other terms or special conditions: | [●] | |

PROVISIONS RELATING TO REDEMPTION

| | | |
|---|--|--|
| 26. Call Option | [Applicable/Not Applicable] | |
| | | <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| (i) Issuer Optional Redemption Date(s): | [●] | |
| (ii) Issuer Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): | [●] per Calculation Amount <i>(Consideration to be given to accrued interest)</i> | |
| (iii) If redeemable in part: | | |
| (a) Minimum Redemption Amount: | [●] | |
| (b) Maximum Redemption Amount: | [●] | |
| (iv) Notice period (if other than as set out in the Conditions): | [●] | <i>(NB: If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Agent or Trustee)</i> |
| 27. Put Option | [Applicable/Not Applicable] | |
| | | <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| (i) Noteholder Optional Redemption | [●] | |

Date(s):

(ii) Noteholder Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [•] per Calculation Amount

(iii) Notice period (if other than as set out in [•] the Conditions):

(NB: If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Agent or Trustee)

28. Final Redemption Amount [[•] per Calculation Amount/specify other/Not Applicable]

(Where Notes are Index Linked Redemption Notes, Equity Linked Redemption Notes, Credit Linked Notes, Currency Linked Notes, Commodity Linked Redemption Notes, Government Bond Linked Redemption Notes, Fund Linked Redemption Notes, Inflation Index Linked Redemption Notes or Certificate Linked Redemption Notes or specify "Not Applicable" and complete Item 30, 31, 32, 33, 34, 35, 36, 37 or, 38 below as applicable)

29. Early Redemption Amount

(i) Early Redemption Amount(s) payable on redemption following (a) the occurrence of an event of default or (b) illegality or (c) taxation or (d) in the case of Index Linked Notes, following an Index Notes] [•] per Calculation Amount [less the cost to the Issuer and/or its Affiliates of unwinding or adjusting any underlying or related hedging arrangements in respect of the Linked Notes]

Adjustment Event in accordance with Condition 7(b)(ii)(b) or (e) in the case of

Equity Linked Notes, following certain

corporate events in accordance with Condition 8(b)(ii)(B) or (f) in the case of Credit Linked Notes, following a Merger Event (if applicable) or a Constraint Event (if Condition 10(u)(a)(ii) applies; see paragraph 32(xlv)(b) below), and/or the method of calculating the same (if required or if different from that set out in Condition 5(d)) or (g) in the case of Commodity Linked Notes, following a Market Disruption Event in accordance with Condition 11(b)(i) or (h) in the case

[or in respect of Credit Linked Notes:

[less the Swap MTM (if payable by the Issuer to the Swap Counterparty) or plus the Swap MTM (if payable by the Swap Counterparty to the Issuer), as applicable, in each case as apportioned pro rata amongst each nominal amount of Notes equal to the Calculation Amount.

Where:

"Swap MTM" means the [sum of the] mark-to-market value of the Notional Credit

of Government Bond Linked Notes, Default Swap [and the mark-to-market value following a Market Disruption Event in accordance with Condition 12(b)(i) or (i) in the case of Fund Linked Notes, following the occurrence of a Trigger Event, a Potential Trigger Event, an Insolvency or a Merger Event in accordance with Condition 13(b)(i) or (j) in the case of Inflation Index Linked Notes, following modification, alteration or discontinuance of the relevant Inflation Index in accordance with Condition 14(b)(i) or (k) in the case of Certificate Linked Notes, following a Market Disruption Event in accordance with Condition 15(b)(i) or (l) following an Additional Disruption Event (if applicable) in accordance with Condition 16(b)(ii):

“Notional Credit Default Swap” means a notional credit default swap transaction entered into between the Issuer and the Swap Counterparty on standard market terms mirroring the credit-linked terms of the Notes;]

“Notional Interest Rate Swap” means a notional interest rate swap transaction entered into between the Issuer and the Swap Counterparty providing for [describe cash flows of notional interest rate swap];] and

“Swap Counterparty” means The Royal Bank of Scotland plc.

(ii) Early Redemption Amount includes amount in respect of accrued interest: [Yes: no additional amount in respect of accrued interest to be paid/No: together with the Early Redemption Amount, accrued interest shall also be paid]

N.B. For all Notes attention should be given to how accrued interest should be included in the computation of the Early Redemption Amount, if at all

30. Index Linked Redemption Notes: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Whether the Notes relate to a basket of indices or a single index, the identity of the relevant Index/Indices and details of the relevant index sponsors and whether such Index/Indices are a Multi-Exchange Index: [Basket of Indices/Single Index]
[(Give or annex details)]
[Details of each Index Sponsor]
Multi-Exchange Index [Yes/No]
[The X Percentage [applies/does not apply] in relation to such Index]

(ii) Calculation Agent responsible for making calculations pursuant to Condition 7: [•]

(iii) Exchange(s): [•]

(iv) Related Exchange(s): [[•]/All Exchanges]

(v) Final Redemption Amount: [Express per Calculation Amount]

(vi) [Valuation Date/Averaging Dates]: [•]

| | |
|---|--|
| [Adjustment provisions in the event of a Disrupted Day: | [Omission/Postponement/Modified Postponement] |
| | <i>(NB: only applicable where Averaging Dates are specified)]</i> |
| [Reference Price: | [Condition 7(c) applies/other] |
| | <i>(NB: if fallback set out in the definition of "Valuation Date" in Condition 7(c) does not apply, set out method for determining the Reference Price in the event that each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day)</i> |
| (vii) [Relevant Time/Valuation Time]: | [Condition 7 applies/other] |
| (viii) Strike Price: | [●] |
| (ix) Trade Date: | [●] |
| (x) Correction of Index Levels: | Correction of Index Levels [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction]. <i>(If Correction of Index Levels does not apply, delete the following sub-paragraph)</i> |
| [Correction Cut-Off Date: | [[●] Business Days prior to the Maturity Date/In relation to Averaging Dates other than the final Averaging Dates, [●] days after the relevant Averaging Date and in relation to the final Averaging Date, [●] Business Days prior to the Maturity Date]]. |
| <i>(Repeat as necessary where there are more Indices or insert a table)</i> | |
| (xi) Additional Disruption Events: | See paragraph 39 |
| (xii) Other terms or special conditions: | [●] |
| 31. Equity Linked Redemption Notes: | [Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| (i) Whether the Notes relate to a basket of Underlying Equities or a single Underlying Equity and the identity of the relevant issuer(s) of the Underlying Equity/Equities: | [Basket of Underlying Equities/Single Underlying Equity] <i>[Give or annex details of each Underlying Equity and each Equity Issuer]</i> |

(ii) Whether redemption of the Notes will be by (a) Cash Settlement or (b) Physical Delivery or (c) Cash Settlement and/or Physical Delivery: [Cash Settlement/Physical Delivery/Cash Settlement and/or Physical Delivery]

(If Cash Settlement and/or Physical Delivery specified, specify details for determining in what circumstances Cash Settlement or Physical Delivery will apply)

(In the case of Registered Notes that are to be cleared through CREST, Cash Settlement is assumed).

(iii) Calculation Agent responsible for [●] making calculations pursuant to Condition 8:

(iv) Exchange: [●]

(v) Related Exchange(s): [[●]/All Exchanges]

(vi) Potential Adjustment Events: [Applicable/Not Applicable]

(vii) De-listing, Merger Event, Nationalisation and Insolvency: [Applicable/Not Applicable]

(viii) Tender Offer: [Applicable/Not Applicable]

(ix) Equity Substitution: [Delete paragraph if applicable]/[Not Applicable]

(x) Correction of Underlying Equity Prices: Correction of Underlying Equity Prices [applies/does not apply and the Reference Price shall be calculated without regard to any subsequently published correction].

(If Correction of Underlying Equity Prices does not apply, delete the following sub-paragraph)

[Correction Cut-Off Date: [[●] Business Days prior to the Maturity Date.]

(Repeat as necessary where there are more Underlying Equities or insert a table)

(xi) Final Redemption Amount: [Express per Calculation Amount]

[Valuation Date/Averaging Dates]: [●]

[Adjustment provisions in the event of a Disrupted Day: [Omission/Postponement/Modified Postponement]

(NB: only applicable where Averaging Dates are specified)]

| | |
|---|--|
| Reference Price: | [Condition 8(e) applies /other] |
| | <i>(NB: if fallback set out in the definition of "Valuation Date" in Condition 8(e) does not apply, set out method for determining the Reference Price in the event that each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day)</i> |
| (xii) Valuation Time: | [Condition 8(e) applies/other] |
| (xiii) Strike Price: | [•] |
| (xiv) Exchange Rate: | [Applicable/Not Applicable] [Insert details] |
| (xv) Trade Date: | [•] |
| (xvi) Relevant Assets: | [Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery] |
| (xvii) Asset Amount: | [Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery] |
| (xviii) Cut-Off Date: | [Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery] |
| (xix) Final Date: | [•] |
| (xx) Delivery provisions for Asset Amount (including details of who is to make such delivery) if different from Conditions: | [Only applicable for Physical Delivery or Cash Settlement and/or Physical Delivery] |
| (xxi) Other terms or special conditions: | [•] |
| (xxii) Failure to Deliver due to Illiquidity: | [Applicable/Not Applicable] <i>(NB: Only applicable to certain types of Equity Linked Redemption Notes)</i> |
| (xxiii) Additional Disruption Events: | See paragraph 39 |
| 32. Credit Linked Notes: | [Applicable/Not Applicable] <i>[NB: Consider whether definitions included in Conditions are up to date]</i> <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| (i) Type of Notes: | [Single Name Credit Linked Notes/First-to-Default Credit Linked Notes/N th -to-Default Credit Linked Notes*/Linear Basket Notes**/other***] |

| | | |
|----------------|--|---|
| | | [*Where the Notes are N^{th} -to-Default Credit Linked Notes, specify the value of N , e.g. “Second-to-Default Credit Linked Notes”] |
| | | [**Where the Notes are Linear Basket Notes specify the weighting of the Basket] |
| | | [***If Credit Linked Notes of a type other than covered by Condition 10 are being issued then applicable additional provisions will need to be set out in full in these Final Terms] |
| (ii) | Credit Derivatives Physical Settlement Matrix | |
| (a) | Physical Settlement Matrix Standard Terms: | [Applicable/Not Applicable] [Condition 10(o). The Physical Settlement Matrix Standard Terms can apply to a Physically Settled, Cash Settled or Auction Settled Note] |
| (b) | Version of Physical Settlement Matrix: | The “Credit Derivatives Physical Settlement Matrix” as published by ISDA on [•], a copy of which is appended to these Final Terms [If Applicable, append the version of the Physical Settlement Matrix which is being used to these Final Terms] |
| <i>General</i> | | |
| (iii) | Final Redemption Amount: | [Express per Calculation Amount] |
| (iv) | Trade Date: | [•] |
| (v) | Specified Business Centre(s): | [•] |
| (vi) | Calculation Agent responsible for making calculations and determinations pursuant to Condition 10: | [•] |
| (vii) | Calculation Agent City: | [•] |

Credit Provisions

| | |
|---|--|
| (viii) Reference Entity(ies): | [•] |
| (a) Transaction Type(s): | [•] [Not Applicable] [Specify Transaction Type(s) where "Physical Settlement Matrix Standard Terms" is applicable] |
| <i>[If more than one Reference Entity, insert the following:</i> | |
| 1. [Reference Entity 1: | [•] (Reference Entity 1) |
| (a) Transaction Type(s): | [•] [Not Applicable] [Specify Transaction Type(s) where "Physical Settlement Matrix Standard Terms" is applicable] |
| (b) Reference Entity Notional Amount: | [•] [Only applicable to linear Basket Notes] |
| (c) Reference Entity Applicable Percentage: | [•][Only applicable to linear Basket Notes] |
| 2. [Reference Entity 2 | [•] (Reference Entity 2) |
| (a) Transaction Type(s): | [•] [Not Applicable] [Specify Transaction Type(s) where "Physical Settlement Matrix Standard Terms" is applicable] |
| (b) Reference Entity Notional Amount: | [•][Only applicable to linear Basket Notes] |
| (c) Reference Entity Applicable Percentage: | [•][Only applicable to linear Basket Notes] |
| <i>[NB complete and number accordingly in relation to additional Reference Entities. Also repeat relevant information in (x) – (xix) below inclusive in respect of each Reference Entity, specifying "In relation to Reference Entity [1]" or similar in relation to the relevant information.]</i> | |
| (ix) Fixed Number of Reference Entities: | [Applicable/Not Applicable] |
| (x) Succession Event Backstop Date: | [Applicable / Not Applicable] |
| (xi) Reference Obligation(s): | [•] |

[NB complete details in (vii) in relation to each Reference Obligation]

[The obligation[s] identified as follows:

| | |
|----------------------|-----|
| (a) Primary Obligor: | [] |
|----------------------|-----|

(b) Guarantor: []

(c) Maturity: []

(d) Coupon: []

(e) CUSIP/ISIN: []

(xii) All Guarantees: [With respect to each Reference Entity, as specified in the Physical Settlement Matrix] or [Applicable/Not Applicable]

(xiii) Credit Events: [With respect to each Reference Entity, as specified in the Physical Settlement Matrix]

[Where the Physical Settlement Matrix Standard Terms apply, specify whether “Restructuring” is applicable in the case of a North American Corporate Transaction Type or Standard North American Corporate Transaction Type]

or

[Bankruptcy]

[Failure to Pay]

[Grace Period Extension:
[Applicable/Not Applicable]]

[If Applicable: Grace Period: [●]]

[Obligation Acceleration]

[Obligation Default]

[Repudiation/Moratorium]

[Restructuring]

[If Restructuring is applicable:

- [Multiple Credit Events: Condition 10(l)(i) [Applicable/Not Applicable]]
- [Multiple Holder Obligation: Condition 10(l)(ix) [Applicable/Not Applicable]]
- [Restructuring Maturity Limitation and Fully Transferable Obligation [Applicable/Not Applicable]]

- [Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation [Applicable/Not Applicable]]

[other]

(a) Default Requirement: [●]

(b) Payment Requirement: [●]

(xiv) Credit Event Backstop Date: [Applicable / Not Applicable]

(xv) Conditions to Settlement: Credit Event Notice
Notice of Publicly Available Information
[Applicable/Not Applicable]

[If Applicable:

- Public Source(s): [As per Condition 10(p)] or [specify sources]]
- Specified Number: [●]]

[Other Physical Settlement Matrix Standard Terms apply (if any)]

(xvi) Event Determination Date : [Event Determination Date Version A] [*This is equivalent to a CDS with two Notifying Parties*]
[Event Determination Date Version B] [*This is equivalent to a CDS with one Notifying Party*]

[Select only one of the above]

(xvii) Obligation(s):

(a) Obligation Category [With respect to each Reference Entity, as specified in the Physical Settlement Matrix]
or
[select one only]:
[Payment]
[Borrowed Money]
[Reference Obligations Only]
[Bond]

| | | |
|---------|--|---|
| | | [Loan] |
| | | [Bond or Loan] |
| (b) | Obligation Characteristics: | [With respect to each Reference Entity, as specified in the Physical Settlement Matrix] |
| | | <i>or</i> |
| | | [<i>select all of which apply</i>] |
| | | [Non Subordinated] |
| | | [Specified Currency: [<i>specify currency</i>] or [Standard Specified Currencies]] |
| | | [Not Sovereign Lender] |
| | | [Not Domestic Currency:] |
| | | [Domestic Currency means: [<i>specify currency</i>] or [As per Condition 10(p)]] |
| | | [Not Domestic Law] |
| | | [Listed] |
| | | [Not Domestic Issuance] |
| (c) | Additional Obligation(s): | [•] |
| (xviii) | Provisions relating to Monoline Insurer as Reference Entity: | [Condition 10(q) [Applicable/Not Applicable]/[Condition 10(r) [Applicable/Not Applicable]]] (<i>N.B. If applicable, only one of Condition 10(q) and Condition 10(r) should be specified but not both</i>) |
| (xix) | Excluded Obligation(s): | [•] |
| (xx) | Settlement: | |
| | (a) Settlement Method: | [Cash Settlement/Physical Delivery/Auction Settlement] |
| | (b) Fallback Settlement Method: | [Cash Settlement/Physical Delivery/Not Applicable] |
| (xxi) | Accrual of Interest upon Credit Event: | [Applicable/Not Applicable] (<i>N.B. If applicable and Specified Currency is other than EUR ensure main financial centre of</i> |

| | | |
|--|--|--|
| | | <i>Specified Currency is specified in item 33(v)</i> |
| (a) Overnight Rate: | | <i>[Provide details if Accrual of Interest upon Credit Event is applicable and Specified Currency is other than EUR or U.S.\$]</i> |
| (xxii) Merger Event: | | [Applicable/Not Applicable] |
| (xxiii) Unwind Costs: | | [•] [Specify Amount] [Standard Unwind Costs/Not Applicable] |
| <i>Terms relating to Cash Settlement</i> | | |
| (xxiv) Credit Event Redemption Amount: | | <i>[Express per Calculation Amount] or [As specified in Condition 10(p)]</i> |
| | | <i>[If applicable, insert the following: The Credit Event Redemption Amount in respect of each Calculation Amount shall be rounded to the nearest 0.01 in the Specified Currency with 0.005 rounded [up]wards [See paragraph [1] of Schedule 1 hereto]</i> |
| (xxv) Credit Event Redemption Date: | | [•] Business Days] or [As specified in Condition 10(p)] |
| (xxvi) Valuation Date: | | [Single Valuation Date: [•] Business Days] |
| | | [Multiple Valuation Dates: [•] Business Days; and each Business Days thereafter. |
| | | Number of Valuation Dates: [•]] |
| (xxvii) Valuation Time: | | [•] |
| (xxviii) Quotation Method: | | [Bid/Offer/Mid-market] |
| (xxix) Quotation Amount: | | [•]/Representative Amount] |
| (xxx) Minimum Quotation Amount: | | [•] |
| (xxxi) Quotation Dealers: | | [•] |
| (xxxii) Quotations: | | [Include Accrued Interest/Exclude Accrued Interest] |
| (xxxiii) Valuation Method: | | [Market/Highest] |

| | |
|--|--|
| (xxxiv) Other terms or special conditions: | [Average Market/Highest/Average Highest] |
| | [[Weighted]Blended Market/Blended Highest] |
| | [[Weighted]Average Blended Market/ Average Blended Highest] |
| | [•] |

Terms relating to Physical Delivery

| | |
|---|---|
| (xxxv) Physical Settlement Period: | [With respect to each Reference Entity, as specified in the Physical Settlement Matrix] |
| | <i>or</i> |
| | [•] Business Days] |
| (xxxvi) Asset Amount: | [Include Accrued Interest/Exclude Accrued Interest] |
| (xxxvii) Settlement Currency: | [•] |
| (xxxviii) Deliverable Obligations: | [Applicable] [Not Applicable] |
| (a) Deliverable Obligation Category: | [With respect to each Reference Entity, as specified in the Physical Settlement Matrix] |
| | <i>or</i> |
| | [<i>select one only</i>] |
| | [Payment] |
| | [Borrowed Money] |
| | [Reference Obligations Only] |
| | [Bond] |
| | [Loan] |
| | [Bond or Loan] |
| (b) Deliverable Obligation Characteristics: | [With respect to each Reference Entity, as specified in the Physical Settlement Matrix] |
| | <i>or</i> |
| | [<i>select all of which apply</i>] |

| | |
|---|---|
| | [Not Subordinated] |
| | [Specified Currency: <i>[specify currency]</i> or [Standard Specified Currencies]] |
| | [Not Sovereign Lender] |
| | [Not Domestic Currency] |
| | [– Domestic Currency means: <i>[specify currency]</i>]] |
| | [Not Domestic Law] |
| | [Listed] |
| | [Not Contingent] |
| | [Not Domestic Issuance] |
| | [Assignable Loan] |
| | [Consent Required Loan] |
| | [Direct Loan Participation] |
| | [Qualifying Participation Seller: <i>insert details</i>] |
| | [Transferable] |
| | [Maximum Maturity: <i>[insert Maximum Maturity in years]</i>]] |
| | [Accelerated or Matured] |
| | [Not Bearer] |
| (c) Additional Deliverable Obligation(s): | [•] |
| (d) Excluded Deliverable Obligation(s): | [•] |
| (xxxix) Indicative Quotations: | [Applicable/Not Applicable] |
| (xl) Cut-Off Date: | [•] |

- (xli) Delivery provisions for Asset Amount [●]
(including details of who is to make such delivery) if different from Conditions:
- (xlii) Other terms or special conditions: [Insert if applicable]

Terms relating to Auction Settlement

- (xlii) Auction Credit Event Redemption [Express per Calculation Amount] or [As specified in Condition 10(p)]
Amount:
- (xlii) Auction Credit Event Redemption [●] or [As specified in Condition 10(p)]
Date:

Adjustments following a Constraint Event

- (xlv) Constraint Events
 - (a) Constraint Event provisions: [Applicable/Not Applicable]
(If not applicable, delete the following subparagraph “Type of Constraint Event”)
 - (b) Constraint Event Early Redemption: [Applicable/Not Applicable]
- (xlvi) Type of Constraint Event:
 - (a) General Inconvertibility: [Applicable/Not Applicable]
If applicable:
Relevant Jurisdictions [give details]
Local Currency [give details]
 - (b) Specific Inconvertibility: [Applicable/Not Applicable]
If applicable:
Reference Entity [give details]
Relevant Jurisdictions [give details]
Local Currency [give details]
 - (c) General Non-Transferability: [Applicable/Not Applicable]
If applicable:
Relevant Jurisdictions [give details]
Local Currency [give details]
 - (d) Specific Non-Transferability: [Applicable/Not Applicable]
If applicable:
Reference Entity [give details]
Relevant Jurisdictions [give details]
Local Currency [give details]

| | | |
|--------|--|--|
| (e) | Nationalisation: | [Applicable/Not Applicable] If applicable: Reference Entity [<i>give details</i>] Relevant Jurisdictions [<i>give details</i>] |
| (f) | Hedging Disruption: | [Applicable/Not Applicable] |
| (g) | Downgrade: | [Applicable/Not Applicable] If applicable: Downgrade Obligation [Reference Obligation/ <i>give details</i>] Specified Rating [<i>give details</i>] Rating Agency [<i>give details</i>] [If more than one Downgrade Obligation, repeat in relation to each such Downgrade Obligation] |
| (xlvi) | [Additional Disruption Events: | See paragraph39] |
| 33. | Currency Linked Redemption Notes: | [Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| (i) | Relevant Currency(ies): | [•] |
| (ii) | Final Redemption Amount: | [Express per Calculation Amount] |
| | Currency Exchange Rate: | [spot currency exchange rate] [currency exchange rate] [•] expressed as the amount of [<i>insert currency</i>] per one [<i>insert currency</i>] which appears on the Screen Page |
| | | Valuation Date: [Not Applicable/[•]] |
| | | Averaging Date(s): [Not Applicable/[•]] |
| | | Observation Date(s): [Not Applicable/[•]] |
| | | Valuation Time: [•] |
| | | Screen Page: [•] [Bloomberg Code:[•] <Currency>][or] |
| | | [Reuters RIC Code: [•]] |
| | | <i>(Repeat as necessary where there are more than one Currency Exchange Rate or insert a table)</i> |
| (iii) | Calculation Agent responsible for [•] making calculations pursuant to Condition 6: | |

| | | |
|--------|--|--|
| (iv) | Trade Date: | [•] |
| (v) | Additional Disruption Events: | See paragraph 39 |
| (vi) | Other terms or special conditions: | [•] |
| 34. | Commodity Linked Redemption Notes | [Applicable/Not Applicable] |
| | | <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> |
| (i) | Whether the Notes relate to a basket of Commodities or a single Commodity and identity of the relevant commodity(ies): | [Basket of Commodities/Single Commodity] <i>[Give or annex details]</i> |
| (ii) | Final Redemption Amount: | [Express per Calculation Amount] |
| (iii) | [Valuation Date/Averaging Dates]: | [•] |
| (iv) | Strike Date: | [•] |
| (v) | Commodity: | [•] |
| (vi) | Information Source: | [•] |
| (vii) | Commodity Reference Price: | [•]/[The Specified Price as published by the Price Source]/[Commodity Reference Dealers] |
| (viii) | Correction of Commodity Reference Price: | [Applicable/Not Applicable] |
| (ix) | Price Materiality Percentage: | [[•]/Not Applicable] |
| (x) | Exchange: | [•] |
| (xi) | Futures Contract: | [•] |
| (xii) | Delivery Date: | [[•]/[•] Nearby Month] |
| (xiii) | Price Source: | [•] |
| (xiv) | Specified Price: | [(A) the high price; (B) the low price; (C) the average of the high price and the low price; (D) the closing price; (E) the opening price; (F) the bid price; (G) the asked price; (H) the average of the bid price and the asked price; (I) the settlement price; (J) the official settlement price; (K) the official price; (L) the morning fixing; (M) the afternoon fixing; (N) the fixing; (O) the spot price; or (P) [Other – please specify]] |
| (xv) | Market Disruption Event: | [Price Source Disruption] [Trading Disruption] |

[Disappearance of Commodity Reference Price]
[Material Change in Formula]
[Material Change in Content]
[Tax Disruption]
[Other – *please specify*]

(xvi) Reference Dealers: [[•]/The Calculation Agent]

(Repeat as necessary where there are more Commodities or insert a table)

(xvii) Calculation Agent responsible for [•] making calculations pursuant to Condition 11:

(xviii) Trade Date: [•]

(xix) Additional Disruption Events: See paragraph 39

(xx) Other terms or special conditions: [•]

35. Government Bond Linked Redemption Notes: [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Whether the Notes relate to a basket of [Basket of Government Bonds/Single Government Bonds or a single Government Bond] [Give or annex details] Government Bond and identity of the relevant Government Bond(s) and/or related Reference Asset(s) (if any):

(ii) Final Redemption Amount: [Insert per Calculation Amount]

(iii) [Valuation Date/Averaging Dates]: [•]

(iv) Information Source: [•]

(v) Exchange: [•]

(vi) [Contract][specify details of related [•] futures contract (if any)]:

(Repeat as necessary where there are more Government Bonds or insert a table)

(vii) Calculation Agent responsible for [•] making calculations pursuant to Condition 12:

(viii) Trade Date: [•]

(ix) Additional Disruption Events: See paragraph 39

(x) Other terms or special conditions: [•]

36. Fund Linked Redemption Notes: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Whether the Notes relate to a basket of [Basket of Funds/Single Fund] [Give or Funds or a single Fund and identity of *annex details*] the relevant Fund(s):
- (ii) Final Redemption Amount: [Insert per Calculation Amount]
- (iii) [Valuation Date/Averaging Dates]: [•]
- (iv) Information Source: [•]
- (v) [Replacement Fund:]: [Applicable/Not Applicable]
- (vi) [Suspension Asset:]: [Applicable/Not Applicable]
- (vii) Effective Date: [•]

(Repeat as necessary where there are more Funds or insert a table)

- (viii) Calculation Agent responsible for [•] making calculations pursuant to Condition 13:
- (ix) Additional Disruption Events: See paragraph 39
- (x) Trade Date: [•]
- (xi) Other terms or special conditions: [•]

37. Inflation Index Linked Redemption Notes: [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Whether the Notes relate to a basket of [Basket of Inflation Indices/Single Inflation Indices or a single Inflation Index] [Give or *annex details*] Index and identity of the relevant Inflation Index/Indices:
- (ii) Final Redemption Amount: [Insert per Calculation Amount]
- (iii) [Valuation Date/Averaging Dates]: [•]
- (iv) Information Source: [•]
- (v) Inflation Fixing Months: [•]

(Repeat as necessary where there are more Inflation Indices or insert a table)

(vi) Calculation Agent responsible for [●] making calculations pursuant to Condition 14:

(vii) Trade Date: [●]

(viii) Additional Disruption Events: See paragraph 39

(ix) Other terms or special conditions: [●]

38. Certificate Linked Redemption Notes: [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Whether the Notes relate to a basket of Certificates/Single Certificate] Certificates or a single Certificate and [Give or annex details] identity of the relevant Certificate(s):

(ii) Final Redemption Amount: [Insert per Calculation Amount]

(iii) [Valuation Date/Averaging Dates]: [●]

(iv) Information Source: [●]

(Repeat as necessary where there are more Certificates or insert a table)

(v) Calculation Agent responsible for [●] making calculations pursuant to Condition 15:

(vi) Trade Date: [●]

(vii) Additional Disruption Events: See paragraph 39

(viii) Other terms or special conditions: [●]

39. Additional Disruption Events: [Applicable/Not Applicable]

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(i) Change in Law: [Applicable/Not Applicable]

[(N.B. Not applicable in the case of Credit Linked Notes)]

(ii) Hedging Disruption: [Applicable/Not Applicable]

[(N.B. Not applicable in the case of Credit Linked Notes)]

(iii) Increased Cost of Hedging [Applicable/Not Applicable]

| | | |
|------|--------------------------------|--|
| | | <i>[(N.B. Not applicable in the case of Credit Linked Notes)]</i> |
| (iv) | Increased Cost of Stock Borrow | [Applicable/Not Applicable] |
| | | <i>(N.B. Only applicable in the case of Equity Linked Notes and certain types of Index Linked Notes)</i> |
| (v) | Insolvency Filing | [Applicable/Not Applicable] |

(N.B. Only applicable in the case of Equity Linked Notes [and Certificate Linked Notes])

| | | |
|------|----------------------|-----------------------------|
| (vi) | Loss of Stock Borrow | [Applicable/Not Applicable] |
|------|----------------------|-----------------------------|

(N.B. Only applicable in the case of Equity Linked Notes and certain types of Index Linked Notes)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

| | | |
|-----|------------------|--|
| 40. | New Global Note: | [Yes][No] |
| 41. | Form of Notes: | [Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Bearer Notes on at least [60] days' notice [at any time/in the limited circumstances specified in the Permanent Global Note].] [Temporary Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date.] [Permanent Global Note exchangeable for Definitive Bearer Notes on at least [60] days' notice [at any time/in the limited circumstances specified in the Permanent Global Note].] <i>(N.B. The exchange upon notice at any time option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: “€50,000 and integral multiples of €1,000 in excess thereof up to and including €99,000.” Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note</i> |

exchangeable for Definitive Notes.)

[Registered Notes – The Notes will be issued in definitive registered form]

[Registered Notes – The Notes will be issued in dematerialised and uncertificated form and cleared through CREST]

(NB. Registered Notes will not be cleared through, or deposited with, Euroclear Bank S.A./N.V. and/or Clearstream Banking, société anonyme without amendment to the Conditions. In such circumstances, the Conditions should be amended so as to provide that the record date for payment in respect of Registered Notes is specified to be the close of business on the clearing system business day (being each Monday to Friday (inclusive) other than 25 December and 1 January) prior to the due date for payment. See “ICMSA Recommendation for Record Dates” – 091116/13.)

[Instalment Global Notes – see the forms annexed hereto]

42. Additional Business Centre(s):

[Not Applicable/give details. Note that this item is only relevant where no Additional Business Centre(s) are specified in items 15(iii), 16(iv), 18(xiii), 19(xviii), 20(xx) or 21(vi), 22(x), 23(xi), 24(ix) or 25(viii).]

43. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]

44. Details relating to Partly Paid Notes:

[Not Applicable/give details]

[(i)] Amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:

[(ii)] Instalment Global Notes:

[Not Applicable/See the forms annexed hereto]]

[(iii)] Details relating to notices:

[insert details]]

45. Details relating to Instalment Notes: Instalment Amounts, Instalment Dates: [Not Applicable/give details]

46. Redenomination, renominalisation reconventioning provisions: and [Not Applicable/The provisions annexed to these Final Terms apply]

47. Consolidation provisions: [Not Applicable/The provisions annexed to these Final Terms apply]

48. Notices to the Issuer: *[Insert notice details for delivery of notices to the Issuer if specific notice details are required and Condition 23(c) applies]*

49. Issuer Business Centre: [Edinburgh/London/other] *(N.B. this item relates to the definition of Issuer Business Day set out in Condition 23)*

50. Other final terms: [Not Applicable/give details] *(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

[If, following the date of these Final Terms, but before the later of (i) the closure of the offer for the Notes; and (ii) if applicable, the admission of the Notes to the [Official List] [and to trading on [the London Stock Exchange's Regulated Market/ specify]] the Prospectus (the **Original Prospectus**) is amended, supplemented, updated or replaced (including replacement following the expiry of the Original Base Prospectus) then the Issuer shall be entitled, without the consent of any Noteholder, any prospective Noteholder, the Trustee or any other person, to amend these Final Terms so as to provide, and/or replace these Final Terms with ones which provide, that references to the Original Prospectus herein shall be to the Original Prospectus as amended, supplemented, updated or replaced (save that the terms and conditions applicable to the Notes shall be the Terms and Conditions set forth in the Original Prospectus).]

[These Final Terms supersede and replace those dated [] in relation to the Notes.]

DISTRIBUTION

51. (i) If syndicated, names [and addresses] of [Not Applicable/give names [and addresses Managers [and underwriting and underwriting commitments]]]

commitments]:

(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.)

| | |
|--|--|
| (ii) Date of [Subscription] agreement: | [•] |
| (iii) Stabilising Manager(s) (if any): | [Not Applicable/give names] |
| 52. If non-syndicated, name of Dealer: | [Not Applicable/give name] |
| 53. Total commission and concession: | [•] per cent. of the Aggregate Nominal Amount |
| 54. Non-exempt Offer: | [Not Applicable] [An offer of the Notes may be made by the Managers [and [specify, if applicable]] other than pursuant to Article 3(2) of the Prospectus Directive in [specify relevant Member State(s) - which must be jurisdictions where the Prospectus and any supplements have been passported] (Public Offer Jurisdictions) during the period from [specify date] until [specify date] (Offer Period). See further Paragraph [•] of Part B below.] |
| 55. Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable: | [TEFRA D/TEFRA C/TEFRA rules not applicable] |
| 56. Additional selling restrictions: | [Not Applicable/give details] |

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdictions] [and] [admission to trading on [the Market/specify other] of the Notes described herein pursuant to the U.S.\$50,000,000,000 Structured Note Programme of The Royal Bank of Scotland plc.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [The information relating to [the Reference Items (the Reference Information)] [and [•]] contained herein has been accurately reproduced from [insert information source(s)]. The Issuer confirms that such information has been accurately reproduced and that, so far as the Issuer is aware and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of the Issuer:

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

Listing and admission to trading:

[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the London Stock Exchange's Regulated Market/*specify*] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the London Stock Exchange's Regulated Market/ *specify*]] with effect from [●].] [Not Applicable.]

(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)

2. RATINGS

Ratings:

The Notes to be issued have been rated:

[S & P: [●]]
[Moody's: [●]]
[[Other]: [●]]

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

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

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

“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

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

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL

EXPENSES

(i) Reasons for the offer:

[•]

(See “Use of Proceeds” wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)]

(ii) Estimated net proceeds:

[•]

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

(iii) Estimated total expenses:

[•]

[Include breakdown of expenses]

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

5. YIELD (*Fixed Rate Notes only*)

Indication of yield:

[•]

[Calculated as [include details of method of calculation in summary form] on the Issue Date.]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. HISTORIC INTEREST RATES (*Floating Rate Notes only*)

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

7. PERFORMANCE OF REFERENCE ITEM(S)/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE REFERENCE ITEM(S)

[Need to include details of where past and future performance and volatility of the Reference Item(s)/formula/other variable can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the Reference Item(s) and the circumstances when the risks are most evident.]

[Where a Reference Item is an index, need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]

[Where a Reference Item is an underlying equity, need to include details of the name of equity issuer, the identification number of the underlying equity, where pricing information about the underlying equity can be obtained]..

[Include equivalent information for other classes of Reference Item, as required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

[Where there is a basket of Reference Items, give details of weighting of each Reference Item]

within the basket.]

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

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information]

8. TERMS AND CONDITIONS OF THE OFFER

| | | |
|--------|--|--|
| (i) | Offer Price: | [Issue Price] [<i>specify</i>] |
| (ii) | Conditions to which the offer is subject: | [Not Applicable/ <i>give details</i>] |
| (iii) | Description of the application process: | [Not Applicable/ <i>give details</i>] |
| (iv) | Details of the minimum and/or maximum amount of application: ³ | [Not Applicable/ <i>give details</i>] |
| (v) | Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: | [Not Applicable/ <i>give details</i>] |
| (vi) | Details of method and time limits for paying up and delivering the Notes: | [Not Applicable/ <i>give details</i>] |
| (vii) | Manner in and date on which results of the offer are to be made public: | [Not Applicable/ <i>give details</i>] |
| (viii) | Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: | [Not Applicable/ <i>give details</i>] |
| (ix) | Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: ⁴ | [Not Applicable/ <i>give details</i>] |
| (x) | Process for notification to applicants of the amount | [Not Applicable/ <i>give details</i>] |

³ Whether in number of Notes or amount to invest.

⁴ If the offer is being made simultaneously in the markets of two or more countries and if a tranche has been or is being reserved for certain of these, indicate any such tranche.

allotted and indication whether dealing may begin before notification is made:

(xi) Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable/give details]

(xii) Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [Name/give details]

9. OPERATIONAL INFORMATION

(i) ISIN Code: [•]

(ii) Common Code: [•]

(iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme (together with their addresses) and the relevant identification number(s): [Not Applicable]
[Euroclear UK and Ireland Limited (**CREST**), 33 Cannon Street, London EC4M 5SB
[Insert identification number/code of the Notes]
[Specify other name(s) and number(s) and set out any necessary terms and/or amendments to the Conditions].

(iv) Delivery: Delivery [against/free of] payment

(v) Additional Paying Agent(s) (if any): [•]

(vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No]
[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the International Central Securities Depositaries as common safekeeper and 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.][*include this text if “yes” selected in which case the Notes must be issued in NGN form*]

ANNEX

(If Physical Settlement Matrix Standard Terms is specified as applying in respect of Credit Linked Notes, insert the relevant Physical Settlement Matrix in respect of each relevant Transaction Type)

TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes (the **Conditions** and each a **Condition**) which (subject to amendment) will be incorporated by reference into each Global Note and which will be endorsed upon each definitive Bearer Note and which will apply to each Registered Note. The applicable Final Terms (as defined below) in relation to any Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Conditions, replace or modify the following Conditions for the purposes of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Bearer Note and definitive Registered Note. Reference should be made to Form of the Notes above for the form of Final Terms which will include the definition of certain terms used in the following Conditions.*

This Note is one of a Series of Notes constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 12 November 2002 made between The Royal Bank of Scotland plc (the **Issuer**) and The Law Debenture Trust Corporation p.l.c. (the **Trustee**, which expression shall include any successor as trustee) as Trustee for the holders for the time being of the Notes (the **Noteholders**, which expression shall, in relation to any Notes represented by a Global Note, be construed as provided in Condition 1 below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Bearer Notes (as defined below) represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (ii) any Global Note;
- (iii) any definitive Bearer Notes issued in exchange for a Global Note; and
- (iv) any Registered Note (as defined below).

Interest-bearing definitive Bearer Notes have interest coupons (**Coupons**) and, if indicated in the applicable Final Terms, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or Couponholders (as defined below) shall, unless the context otherwise requires, be deemed to include a reference to Talons or Talonholders (as defined below). Definitive Bearer Notes redeemable in instalments will have receipts attached on issue (**Receipts**) for the payment of the instalments of principal (other than the final instalment).

Payments in respect of the Notes (other than Notes cleared through CREST (defined below) will be made under an amended and restated Agency Agreement (such Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 27 April 2010 and made between the Issuer, The Bank of New York Mellon, acting through its London Branch, as agent (the **Agent**, which expression shall include any successor as agent), the paying agent named therein (together with the Agent, the **Paying Agents**), The Bank of New York Mellon (Luxembourg) S.A., as registrar (the **Registrar**, which expression shall include any successor as registrar) and the **Trustee**.

Payments in respect of Notes cleared through CREST will be made under an agreement (as amended, restated or supplemented from time to time, the **Registry Services Agreement**) for the provision of registry services with Computershare Investor Services PLC (the **Registrar**, which expression shall include any successor registrar).

Notes may be issued at such times as shall be determined by the Issuer. The Issuer shall, prior to the time of issue of any Notes, determine the relevant provisions of the Notes to be issued pursuant to the terms set out below, such provisions to be indicated in Part A of the applicable Final Terms, which may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify them for the purposes of this Note. References herein to the **applicable Final Terms** are to Part A of the Final Terms attached hereto or endorsed hereon (where applicable).

The following statements are summaries of the detailed provisions of the Trust Deed and the applicable Final Terms. Copies of the Trust Deed (which contains the forms of the Notes, Receipts, Coupons and Talons other than in respect of Notes cleared through CREST), together with copies of the Agency Agreement (which contains the form of the Final Terms for each issue of Notes other than Notes cleared through CREST), will be available for inspection during normal business hours at the registered office for the time being of the Trustee, being as at 27 April 2010, at Fifth Floor, 100 Wood Street, London EC2V 7EX and, in the case of Bearer Notes, at the specified office of each of the Paying Agents and, in the case of Registered Notes not cleared through CREST, at the specified office of the relevant Registrar. Copies of the Trust Deed and the Registry Services Agreement will be available from the relevant Registrar in the case of Registered Notes cleared through CREST. A copy of the applicable Final Terms may be obtained from, in the case of Bearer Notes or Registered Notes not cleared through CREST, the specified office of each of the Paying Agents and, in the case of Registered Notes, at the specified office of the relevant Registrar save that, if this Note is an unlisted Note of any Series, the applicable Final Terms will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent or (in the case of Registered Notes) the relevant Registrar, as the case may be, as to its holding of such Notes (other than in respect of Notes cleared through CREST) and identity. In the case of Notes not cleared through CREST, the relevant Noteholders, the holders of the Receipts (the **Receiptholders**), the holders of the Coupons (the **Couponholders**) and the holders of the Talons (the **Talonholders**) will be deemed to have notice of, and will be entitled to the benefit of, all the provisions of the Trust Deed and the Agency Agreement, which will be binding on them. In the case of Notes cleared through CREST, the relevant Noteholders will be deemed to have notice of, and will be entitled to the benefit of, all the provisions of the Trust Deed and the Registry Services Agreement, which will be binding on them. Words and expressions defined in the Trust Deed, the Agency Agreement, the Registry Services Agreement or used in the applicable Final Terms shall have the same meanings where used herein unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement or the Registry Services Agreement, as the case may be, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed, the Agency Agreement or the Registry Services Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

As used herein, **Series** means the Notes of each original issue of Notes together with the Notes of any further issues expressed to be consolidated and form a single series with the Notes of an original issue and which are denominated in the same currency and the terms of which (save for the Issue Date, the Interest Commencement Date or the Issue Price) are otherwise identical (including whether or not they are listed on any stock exchange) and shall be deemed to include the temporary and permanent global Notes and the definitive Notes of such Series; and the expressions **Notes of the relevant Series** and **holders of Notes of the relevant Series** and related expressions shall be construed accordingly. As used herein, **Tranche** means all Notes of the same Series with the same Issue Date, Interest Commencement Date and Issue Price. As used herein, **Registrar** shall mean either The Bank of New York Mellon (Luxembourg) S.A. or its successors (in the case of Registered Notes

not cleared through CREST) or Computershare Investor Services PLC (in the case of Registered Notes cleared through CREST), as the context may require or permit.

1. Form, Denomination and Title

The Notes are either in bearer form (**Bearer Notes**) or in registered form (**Registered Notes**), as specified in the applicable Final Terms, and, in the case of Notes in definitive form, serially numbered, in the Specified Currency and the Specified Denomination(s) specified in the applicable Final Terms. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination.

If so specified in the applicable Final Terms, Notes will be cleared through the dematerialised and uncertificated securities trading system operated by Euroclear UK and Ireland Limited (**CREST**). Such Notes will be registered securities in dematerialised and uncertificated form, and (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the **Regulations**).

This Note may (i) bear interest calculated by reference to one or more fixed rates of interest (such Note, a **Fixed Rate Note** (which term shall include, for the avoidance of doubt, a Credit Linked Note (defined below) which bears interest by reference to one or more fixed rates of interest)), (ii) bear interest calculated by reference to one or more floating rates of interest (such Note, a **Floating Rate Note** (which term shall include, for the avoidance of doubt, a Credit Linked Note (defined below) which bears interest calculated by reference to one or more floating rates of interest)), (iii) be issued on a non-interest bearing basis and be offered and sold at a discount to its nominal amount (such Note, a **Zero Coupon Note**), (iv) bear interest calculated by reference to a single index or basket of indices as specified in the applicable Final Terms (such Note, an **Index Linked Interest Note**), (v) bear interest calculated by reference to a single equity security or basket of equity securities as specified in the applicable Final Terms (such Note, an **Equity Linked Interest Note**), (vi) bear interest calculated by reference to a single rate of exchange or basket of rates of exchange as specified in the applicable Final Terms (such Note, a **Currency Linked Interest Note**), (vii) bear interest calculated by reference to a single commodity or basket of commodities as specified in the applicable Final Terms (such Note, a **Commodity Linked Interest Note**), (viii) bear interest calculated by reference to a single government bond (or related futures contract) or basket of government bonds (or related futures contracts) as specified in the applicable Final Terms (such Note, a **Government Bond Linked Interest Note**), (ix) bear interest calculated by reference to a single fund or basket of funds as specified in the applicable Final Terms (such Note, a **Fund Linked Interest Note**), (x) bear interest calculated by reference to a single inflation index or basket of inflation indices as specified in the applicable Final Terms (such Note, an **Inflation Index Linked Interest Note**), (xi) bear interest calculated by reference to a single certificate or basket of certificates as specified in the applicable Final Terms (such Note, a **Certificate Linked Interest Note**), a combination of any of the foregoing or in any other form, depending upon the Interest/Payment Basis or other relevant provisions shown in the applicable Final Terms.

This Note may (i) pay principal calculated by reference to a single index or basket of indices as specified in the applicable Final Terms (such Note, an **Index Linked Redemption Note** and, together with an Index Linked Interest Note, an **Index Linked Note**), (ii) pay principal calculated by reference to a single equity security or basket of equity securities as specified in the applicable Final Terms (such Note, an **Equity Linked Redemption Note** and, together with an Equity Linked Interest Note, an **Equity Linked Note**), (iii) be linked to the credit of an entity or the entities specified in the applicable Final Terms (such Note, a **Credit Linked Note**), (iv) pay principal calculated by reference to a single rate of exchange or basket of rates of exchange as specified in the applicable Final Terms (such Note, a **Currency Linked**

Redemption Note and, together with a Currency Linked Interest Note, a **Currency Linked Note**), (v) pay principal calculated by reference to a single commodity or basket of commodities as specified in the applicable Final Terms (such Note, a **Commodity Linked Redemption Note** and, together with a Commodity Linked Interest Note, a **Commodity Linked Note**), (vi) pay principal calculated by reference to a single government bond (or related futures contract) or basket of government bonds (or related futures contracts) as specified in the applicable Final Terms (such Note, a **Government Bond Linked Redemption Note** and, together with a Government Bond Linked Interest Note, a **Government Bond Linked Note**), (vii) pay principal calculated by reference to a single fund or basket of funds as specified in the applicable Final Terms (such Note, a **Fund Linked Redemption Note** and, together with a Fund Linked Interest Note, a **Fund Linked Note**), (viii) pay principal calculated by reference to a single inflation index or basket of inflation indices as specified in the applicable Final Terms (such Note, an **Inflation Index Linked Redemption Note** and, together with an Inflation Index Linked Interest Note, an **Inflation Index Linked Note**), (ix) pay principal calculated by reference to a single certificate or basket of certificates as specified in the applicable Final Terms (such Note, a **Certificate Linked Redemption Note** and, together with a Certificate Linked Interest Note, a **Certificate Linked Note**), (x) be issued on a partly paid basis in which case interest will accrue on the paid-up amount of such Note and all rights arising under such Note (including rights to payment of principal and interest) after the date on which any instalment is due, being conditional upon the due payment of the relevant instalment) (such Note, a **Partly Paid Note**), (xi) be redeemable in instalments (the amount of each such instalment, an **Instalment Amount**, and the date each such instalment is paid, an **Instalment Date**, in each case, as specified in the applicable Final Terms) (such Note, an **Instalment Note**), a combination of any of the foregoing or in any other form, depending upon the Redemption/Payment Basis or other relevant provisions shown in the applicable Final Terms.

Subject as set out below, title to the Bearer Notes, Receipts (if any) and Coupons will pass by delivery and title to definitive Registered Notes will pass upon the registration of transfers in accordance with the provisions of the Agency Agreement. A definitive Registered Note may be transferred in whole or in part (in the Specified Denomination or any integral multiple of the Specified Denomination) by the transferor or a person duly authorised on behalf of the transferor depositing such definitive Registered Note for registration of the transfer of such definitive Registered Note (or the relevant part of such definitive Registered Note) at the specified office of the Registrar, with the form of transfer endorsed thereon duly completed and signed by or on behalf of the transferor and upon the Registrar after due and careful enquiry being satisfied with the documents of title and the identity of the person making the request and subject to the regulations set out in Schedule 4 to the Agency Agreement, the Registrar will enter the name of the transferee in the register for the definitive Registered Notes as the holder of the definitive Registered Note or part thereof specified in the form of transfer. Subject as provided above, the Registrar will, within five Luxembourg Business Days of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), deliver at its specified office to the transferee or (at the risk of the transferee) send by regular uninsured mail to such address as the transferee may request a new definitive Registered Note of a like aggregate nominal amount to the definitive Registered Note (or the relevant part of the definitive Registered Note) transferred. In the case of a transfer of part only of a definitive Registered Note, a new definitive Registered Note in respect of the balance of the definitive Registered Note not transferred will be so delivered or (at the risk of the transferor) sent to the transferor by regular uninsured mail as aforesaid. For the purposes of this paragraph, the expression **Luxembourg Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in Luxembourg.

No exchange of a Bearer Note for a Registered Note or a Registered Note for a Bearer Note will be permitted.

In the event of a partial redemption of Notes under Condition 5(b), the Issuer shall not be required:

- (a) to register the transfer of Registered Notes (or parts of Registered Notes) during the period beginning on the 65th day before the date of the partial redemption and ending on the day on which notice is given specifying the serial numbers of Notes called (in whole or in part) for redemption (both inclusive); or
- (b) to register the transfer of any Registered Note, or part of a Registered Note, called for redemption.

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration or exchange in the United Kingdom or in any other jurisdiction where the Registrar's specified office is located.

The Issuer, the Trustee, any Paying Agent and the Registrar may (to the fullest extent permitted by applicable law) deem and treat the bearer of any Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not such Note, Receipt or Coupon shall be overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph. The holder of each Receipt or Coupon, whether or not such Receipt or Coupon is attached to a Note, shall be subject to and bound by all the provisions contained in the relevant Note.

For so long as any of the Bearer Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**), each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Bearer Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Bearer Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and any Paying Agent as the holder of such nominal amount of such Bearer Notes for all purposes other than with respect to the payment of principal and interest on such nominal amount of such Bearer Notes, the right to which shall be vested, as against the Issuer, the Trustee and any Paying Agent, solely in the bearer of the relevant Global Note in accordance with and subject to its terms (or the Trustee in accordance with the Trust Deed) (and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly). Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, Luxembourg, as the case may be.

In the case of Registered Notes cleared through CREST, title to the Notes is recorded on the relevant Operator register of corporate securities. The Registrar on behalf of the Issuer shall maintain a register (the **Register**) of such Notes recorded on the relevant Operator register of corporate securities and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Notes shall be treated by the Issuer, the Trustee and the Registrar as the holder of such Notes for all purposes and (ii) none of the Issuer, the Trustee or the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars

entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Notes (and the expressions **Noteholder, holder of Notes and holders** and related expressions shall be construed accordingly).

Registered Notes cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator and title will pass upon registration of the transfer in the Operator register of corporate securities. No transfer of such Notes will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

No provisions of these Conditions, amended in accordance with any applicable Final Terms, shall (notwithstanding anything contained therein) apply or have effect to the extent that it is in any respect inconsistent with (i) the holding of title to Registered Notes cleared through CREST (ii) the transfer of title to Registered Notes cleared through CREST by means of a relevant system or (iii) the Regulations. Without prejudice to the generality of the preceding sentence and notwithstanding anything contained in these Conditions or the applicable Final Terms, so long as Registered Notes cleared through CREST are participating securities, (a) any such Registered Notes which are not for the time being in all respects identical to, or do not for the time being have rights attached thereto identical in all respects to those attached to, other Registered Notes cleared through CREST of the same Series shall be deemed to constitute a separate Series of Notes, (b) the Register relating to Registered Notes cleared through CREST shall be maintained at all times in the United Kingdom, (c) Registered Notes cleared through CREST will be issued in uncertificated form in accordance with and subject as provided in the Regulations; and (d) for the avoidance of doubt, these Conditions and the applicable Final Terms in relation to any Registered Notes cleared through CREST shall remain applicable notwithstanding that they are not endorsed on any certificate for such Registered Notes.

As used herein, each of **Operator register of corporate securities, participating securities, and relevant system** is as defined in the Regulations and the relevant Operator (as such term is used in the Regulations) is CREST or any additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Noteholders in accordance with Condition 23.

Any indication herein that the Operator “shall” do, or similar expression or phrase indicating that they are obliged to or will carry out any role or obligation described in these Conditions and/or the applicable Final Terms, as the case may be, is given without any assumption by the Issuer, the Trustee, the relevant Registrar or the Calculation Agent of responsibility or liability for the performance of the Operator.

Any reference to **Euroclear** and/or **Clearstream, Luxembourg** shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system (other than CREST) approved by the Issuer, the Trustee and the Agent.

2. Status of the Notes

The Notes and the Receipts and Coupons relating thereto (if any) constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank *pari passu* and 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 present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

3. Interest

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date to (but excluding) the Maturity Date at the rate(s) per annum equal to the Rate(s) of Interest and such interest shall be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will be the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

If the Fixed Coupon Amount is not specified in the applicable Final Terms or interest is required to be calculated for a period (the **Relevant Period**) ending other than on an Interest Payment Date, such interest shall be calculated as described in the following paragraph.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form and Notes cleared through CREST, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of (x) the amount (determined in the manner provided above) for the Calculation Amount and (y) the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

In this Condition 3(a):

Day Count Fraction has the meaning given to it in Condition 3(c);

euro has the meaning given to it in Condition 3(c);

Fixed Interest Period means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) *Interest on Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Currency Linked Interest Notes, Commodity Linked Interest Notes,*

Government Bond Linked Interest Notes, Fund Linked Interest Notes, Inflation Index Linked Interest Notes and Certificate Linked Interest Notes.

(i) Interest Payment Dates

Each Floating Rate Note, Index Linked Interest Note, Equity Linked Interest Note, Currency Linked Interest Note, Commodity Linked Interest Note, Government Bond Linked Interest Note, Fund Linked Interest Note, Inflation Index Linked Interest Note and Certificate Linked Interest Note bears interest from (and including) the Interest Commencement Date at the rate equal to the Rate of Interest and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) (each an **Interest Payment Date**) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each also an **Interest Payment Date**) which (save as otherwise mentioned in these Conditions or specified in the applicable Final Terms) falls the number of months or such other periods specified as the specified period(s) in the applicable Final Terms (each a **Specified Period**) after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) Rate of Interest

The rate of interest (the **Rate of Interest**) payable from time to time in respect of this Note if it is a Floating Rate Note, an Index Linked Interest Note, an Equity Linked Interest Note, a Currency Linked Interest Note, a Commodity Linked Interest Note, a Government Bond Linked Interest Note, a Fund Linked Interest Note, an Inflation Index Linked Interest Note or a Certificate Linked Interest Note, will be determined in the manner specified in the applicable Final Terms.

(iii) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the margin (if any) specified in the applicable Final Terms (the **Margin**). For the purposes of this sub-paragraph (iii), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or the Registrar, as the case may be, or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent or the Registrar or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period equal to that Interest Period; and
- (C) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (**LIBOR**) or on the Euro-zone inter-bank offered rate (**EURIBOR**) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (iii), (a) **ISDA Definitions** means the 2006 ISDA Definitions, as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series, published by the International Swaps and Derivatives Association, Inc.

and (b) **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions and **Euro-zone** means the region comprised of Member States of the European Union that adopt the single currency in accordance with the Treaty.

Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

For the purposes of this Condition 3, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date which may or may not be the same number of months or other period throughout the life of the Notes.

When this sub-paragraph (iii) applies, in respect of each relevant Interest Period:

- (A) the Rate of Interest for such Interest Period will be the Floating Rate determined by the Agent or the Registrar, as the case may be, in accordance with this sub-paragraph (iii) plus or minus (as indicated in the applicable Final Terms) the Margin (if any); and
- (B) the Agent or the Registrar, as the case may be, will be deemed to have discharged its obligations under Condition 3(b)(vi) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (iii).

(iv) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (B) (subject as below) the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations (if there is more than one quotation on the Relevant Screen Page)

(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 either 11.00 a.m. (London time) in the case of LIBOR or 11.00 a.m. (Brussels time) in the case of EURIBOR on the Interest Determination Date in question (as indicated in the applicable Final Terms) plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent or the Registrar, as the case may be. If five or more 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 Agent or the Registrar, as the case may be, for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at such time, the Agent or the Registrar, as the case may be, shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks (as defined below) or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Agent or the Registrar, as the case may

be, with its offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for the relevant Interest Period to leading banks in the London inter-bank market as at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, to leading banks in the Euro-zone inter-bank market as at 11.00 a.m. (Brussels time), on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent or the Registrar, as the case may be, with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded as provided above) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent or the Registrar, as the case may be.

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent or the Registrar, as the case may be, with such an offered quotation as provided above, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent or the Registrar, as the case may be, determines as being the arithmetic mean (rounded as provided above) of the rates, as communicated to (and at the request of) the Agent or the Registrar, as the case may be, by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11.00 a.m. (London time) in the case of LIBOR or, 11.00 a.m. (Brussels time) in the case of EURIBOR, on the relevant Interest Determination Date, deposits in the Specified Currency for the relevant Interest Period by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent or the Registrar, as the case may be, with such offered rates, the offered rate for deposits in the Specified Currency for the relevant Interest Period, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for the relevant Interest Period, at which, at approximately 11.00 a.m. (London time), in the case of LIBOR, or 11.00 a.m. (Brussels time), in the case of EURIBOR, on the relevant Interest Determination Date, any one or more banks selected by the Agent or the Registrar, as the case may be, for the purpose (which bank or banks shall be so selected after consultation with the Issuer and shall not include any bank or banks which in the opinion of the Issuer is not or are not suitable for such purpose) informs the Agent or the Registrar, as the case may be, it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market, or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, plus or minus (as appropriate) the Margin (if any), 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 as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

In this paragraph, the expression **Reference Banks** means, in the case of (A) above, those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of (B) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared and **Euro-zone** means the region comprised of member states of the European Union that have adopted or, during the lifetime of the Notes, adopt the euro as the single currency in accordance with the Treaty.

If the Reference Rate from time to time in respect of this Note is specified in the applicable Final Terms as being other than the LIBOR or EURIBOR, the Rate of Interest in respect of this Note will be determined as provided in the applicable Final Terms.

(v) Minimum and/or Maximum Rate of Interest

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then the Rate of Interest for such Interest Period determined in accordance with the above provisions shall in no event be less than such Minimum Rate of Interest. If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then the Interest Rate for such Interest Period determined in accordance with the above provisions shall in no event exceed such Maximum Rate of Interest.

(vi) Determination of Rate of Interest and Calculation of Interest Amount

The Calculation Agent, in the case of Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Currency Linked Interest Notes, Commodity Linked Interest Notes, Government Bond Linked Interest Notes, Fund Linked Interest Notes, Inflation Index Linked Interest Notes and Certificate Linked Interest Notes, will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest.

Unless otherwise specified in the applicable Final Terms, the Agent, or the Registrar, as the case may be, will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Currency Linked Interest Notes, Commodity Linked Interest Notes, Government Bond Linked Interest Notes, Fund Linked Interest Notes, Inflation Index Linked Interest Notes or Certificate Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Currency Linked Interest Notes, Commodity Linked Interest Notes, Government Bond Linked Interest Notes, Fund Linked Interest Notes, Inflation Index Linked Interest Notes or Certificate Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Currency Linked Interest Notes, Commodity Linked Interest Notes, Government Bond Linked Interest Notes, Fund Linked Interest Notes, Inflation Index Linked Interest Notes or Certificate Linked Interest Notes in definitive form, and Notes which are cleared through CREST, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note, an Index Linked Interest Note, an Equity Linked Interest Note, a Currency Linked Interest Note, a Commodity Linked Interest Note a Government Bond Linked Interest Note, a Fund Linked Interest Note, an Inflation Index Linked Interest Note or a Certificate Linked Interest Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

In the case of Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Currency Linked Interest Notes, Commodity Linked Interest Notes, Government Bond Linked Interest Notes, Fund Linked Interest Notes, Inflation Index Linked Interest Notes and Certificate Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for each Interest Period as soon as practicable after calculating the same.

(vii) Notification of Rate of Interest and Interest Amount

The Agent or the Registrar, as the case may be, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Currency Linked Interest Notes, Commodity Linked Interest Notes, Government Bond Linked Interest Notes, Fund Linked Interest Notes, Inflation Index Linked Interest Notes or Certificate Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 23 as soon as possible after their determination but in no event later than the fourth London Business Day (as defined in Condition 1) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes, Index Linked Interest Notes, Equity Linked Interest Notes, Currency Linked Interest Notes, Commodity Linked Interest Notes, Government Bond Linked Interest Notes, Fund Linked Interest Notes, Inflation Index Linked Interest Notes or Certificate Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 23.

(viii) **Determination or Calculation by Trustee**

If for any reason the Agent, the Registrar or the Calculation Agent, as the case may be, defaults in its obligation to determine the Rate of Interest or the Agent, the Registrar or the Calculation Agent, as the case may be, defaults in its obligation to calculate any Interest Amount in accordance with this paragraph (b), the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions in this Condition and to any terms specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent, the Registrar or the Calculation Agent, as applicable.

(ix) **Certificates to be Final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this paragraph (b) whether by the Agent, the Registrar, the Calculation Agent or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Registrar, the Calculation Agent the Trustee, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Trustee, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent, the Registrar, the Calculation Agent or the Trustee, 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.

(c) ***Day Count Fraction and Business Day Convention***

(i) **Day Count Fraction**

Day Count Fraction means, in respect of the calculation of an amount for any period of time (the **Calculation Period**):

1. if **Actual/Actual** or **Actual/Actual (ISDA)** is specified in the applicable Final 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);

2. if **Actual/365 (Fixed)** is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 365;
3. if **Actual/360** is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 360;
4. if **30/360, 360/360 or Bond Basis** is specified in the applicable Final 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:

Y₁ is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D₁ is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

D₂ 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 D₁ is greater than 29, in which case D₂ will be 30

5. if **30E/360 or Eurobond Basis** is specified in the applicable Final 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:

Y₁ is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following

the last day included in the Calculation Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D₁ is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

D₂ 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 D₂ will be 30

6. if “**30E/360 (ISDA)**” is specified in the applicable Final 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:

Y₁ is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D₁ is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30

7. if **Actual/Actual (ICMA)** is specified in the applicable Final Terms:

- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the 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; and
- (b) 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 (1) the number of days in such Determination Period and (2) 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 (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year.

Determination Period means the period from (and including) a Determination Date (as specified in the applicable Final Terms) to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

Reference Rate means the rate specified as such in the Final Terms.

Relevant Screen Page means such page, section, caption, column or other part of a particular information service as may be specified in the Final Terms.

(ii) **Business Day Convention**

If any Interest Payment Date (or other date) which is specified in the applicable Final Terms to be subject to adjustment in accordance with a business day convention would otherwise fall on a day which is not a Business Day, then, if the business day convention specified is:

- (1) in the case where a Specified Period is specified in accordance with Condition 3(b)(i)(B), the Floating Rate Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (a) such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Business Day and (b) after the foregoing paragraph (a) shall have applied, each subsequent Interest Payment Date (or other date) shall be the last Business Day of the last month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Business Day.

In these Conditions:

Business Day means (unless otherwise stated in the applicable Final Terms):

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and, if any Additional Business Centre(s) is specified in the applicable Final Terms, in such Additional Business Centre(s); and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than London) which, if the Specified Currency is Australian or New Zealand dollars, shall be Sydney and Auckland, respectively or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET System**) is open; and

euro means the single currency introduced on 1 January 1999 pursuant to the treaty establishing the European Community as amended (the **Treaty**).

(d) *Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the due date for its redemption unless, upon due presentation thereof, payment of principal and/or delivery of all assets deliverable is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (1) the date on which all amounts due in respect of such Note have been paid and/or all assets deliverable in respect of such Note have been delivered; and
- (2) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent or the Trustee in the case of Bearer Notes or the Registrar or the Trustee in the case of Registered Notes and/or all assets in respect of such Note have been received by any agent appointed by the Issuer to deliver such assets to Noteholders and notice to that effect has been given to the Noteholders in accordance with Condition 23

Provided That if Condition 10(b), Condition 10(c) or Condition 10(d) applies in respect of the Notes, subject to Condition 10(j), and

- (A) **Accrual of Interest upon Credit Event** is specified as not applying in the applicable Final Terms, each Note shall cease to bear interest from the Interest Payment Date (or, if none, the Interest Commencement Date) immediately preceding the Event Determination Date, or if the Event Determination Date is an Interest Payment Date (or, as the case may be, the Interest Commencement Date) such Interest Payment Date (or, as the case may be, the Interest Commencement Date); or
- (B) **Accrual of Interest upon Credit Event** is specified as applying in the applicable Final Terms, each Note shall cease to bear interest from the Event Determination Date and the final payment of interest shall be payable on the Credit Event Redemption Date, Auction Credit Event Redemption Date, Physical Settlement Date or Partial Cash Settlement Date, as applicable and no further interest shall be payable in respect of such delay; and

Provided Further That if

- (A) the Notes are redeemed pursuant to Condition 10(g), Condition 10(h) or Condition 10(i); or
- (B) Condition 10(j) applies pursuant to an adjustment to, or reversal of, an Event Determination Date,

then interest will accrue as provided in Condition 10(g), Condition 10(h), Condition 10(i) or Condition 10(j), as the case may be.

(e) *Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes, subject as specified in the applicable Final Terms.

(f) *Nature of the Return*

Any interest paid to the Noteholder 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.

4. Payments

(a) *Method of Payment*

Subject as provided below:

- (i) payments in a Specified Currency (other than euro (as defined in Condition 3(c)) will be made at the option of the payee either by transfer to an account in the relevant Specified Currency (which, in the case of a payment in Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment and subject to the provisions of Condition 17.

(b) *Presentation of Bearer Notes, Receipts and Coupons*

Payments of principal in respect of definitive Bearer Notes (if issued) will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender of such definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States. Payments under paragraph (a) above made, at the option of the bearer of such definitive Bearer Note or Coupon, by cheque shall be mailed or delivered to an address outside the United States furnished by such bearer. Subject to any applicable laws and regulations, such payments made by transfer will be made in immediately

available funds to an account maintained by the payee with a bank located outside the United States. No payment in respect of any definitive Bearer Note or Coupon will be made upon presentation and surrender of such definitive Bearer Note or Coupon at any office or agency of the Issuer or any Paying Agent in the United States, nor will any such payment be made by transfer to an account, or by mail to an address, in the United States.

Payments of instalments of principal (if any) in respect of definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender of the relevant Receipt. Payment of the final instalment will be made in the manner provided in paragraph (a) above against presentation and surrender of the relevant definitive Bearer Note. Each Receipt must be presented for payment of the relevant instalment together with the definitive Bearer Note to which it appertains, against which the amount payable in respect of the relevant instalment will be paid. If any definitive Bearer Notes are redeemed or become payable prior to the Maturity Date, principal will be payable on surrender of such Bearer Notes together with all unmatured Receipts appertaining thereto. Unmatured Receipts and Receipts presented without the definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Index Linked Notes, Equity Linked Notes, Credit Linked Notes, Currency Linked Notes, Commodity Linked Notes, Government Bond Linked Notes, Fund Linked Notes, Inflation Index Linked Notes, Certificate Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the full amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the full amount of such missing unmatured Coupon as the sum so paid bears to the total sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time thereafter but before the expiry of ten years after the Relevant Date (as defined in Condition 18) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 18) or, if later, five years from the date on which such Coupon would otherwise have become due. Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Index Linked Note, Equity Linked Note, Credit Linked Note, Currency Linked Note, Commodity Linked Notes, Government Bond Linked Note, Fund Linked Note, Inflation Index Linked Note, Certificate Linked Note or Long Maturity Note in definitive bearer form becomes due and repayable, all unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

Payments of principal and interest (if any) in respect of Bearer Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes and otherwise in the manner specified in the relevant

Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of such Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which such Global Note is presented for the purpose of making such payment, and such record shall be *prima facie* evidence that the payment in question has been made.

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note. No person other than the holder of such Global Note shall have any claim against the Issuer in respect of any payments due on that Global Note.

Long Maturity Note is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

(c) *Payments on Registered Notes*

Payments of principal in respect of Registered Notes (other than Registered Notes cleared through CREST) will be made in the manner provided in paragraph (b) above against presentation and surrender (or, in the case of part payment of any sum due only, endorsement) of such Registered Notes at the specified office of the Registrar or at the specified office of any Paying Agent. Payments of interest due on a Registered Note and payments of instalments (if any) of principal on a Registered Note, other than the final instalment, (in each case, other than a Registered Note cleared through CREST) will be made to the person in whose name such Registered Note is registered at the close of business on the fifteenth day (whether or not such fifteenth day is a business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located)) (the **Record Date**) prior to such due date. In the case of payments by cheque, cheques will be mailed to the holder (or the first named of joint holders) at such holder's registered address on the due date. If payment is required by credit or transfer as referred to in paragraph (a) above, application for such payment must be made by the holder to the Registrar not later than the relevant Record Date.

The Issuer shall pay or cause to be paid any amounts due to a holder of a Registered Note cleared through CREST to such holder's cash account with the Operator for value on the relevant payment date, such payment to be made in accordance with the rules of the Operator. The Issuer's obligations in relation to such amounts in respect of Registered Notes cleared through CREST will be discharged by payment to, or to the order of, the Operator. Each of the persons shown in the Operator register of corporate securities as the holder of a particular nominal amount of Registered Notes cleared through CREST must look solely to the Operator for his share of each such payment so made by the Issuer to, or to the order of, the Operator.

(d) *General provisions applicable to payments*

Notwithstanding the foregoing, U.S. dollar payments of principal and interest in respect of the Bearer Notes will be made at the specified office of any Paying Agent in the United States

(which expression, as used in this Condition, 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) if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest due on the Notes in the manner provided above when due;
- (ii) payment in U.S. dollars of the full amount of such due principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences for the Issuer.

(e) *Payment Date*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Date, the holder thereof shall not be entitled to payment of the amount due until the next following Payment Date in the relevant place and shall not be entitled to any interest or other payment in respect of such delay. For these purposes, unless otherwise specified in the applicable Final Terms, **Payment Date** means any day which is both:

- (i) a day on which commercial banks and foreign exchange markets settle payments in the relevant place of presentation (and, in the case of payment in euro, in the place where the euro account specified by the payee is located); and
- (ii) a Business Day (as defined in Condition 3(c)(ii)).

(f) *Interpretation of Principal*

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 10;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Issuer Optional Redemption Amount(s) (if any) of the Notes;
- (v) the Noteholder Optional Redemption Amount(s) (if any) of the Notes;
- (vi) the Credit Event Redemption Amount of the Notes;
- (vii) the Auction Credit Event Redemption Amount of the Notes;
- (viii) the Partial Cash Settlement Amount of the Notes;
- (ix) the Failure to Deliver Settlement Price (if any) in respect of the Notes;
- (x) the Disruption Cash Settlement Price (if any) in respect of the Notes;

- (xi) in relation to Instalment Notes, the Instalment Amounts;
- (xii) in relation to Partly Paid Notes, the nominal amount paid-up;
- (xiii) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined below); and
- (xiv) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

In this Condition, **euro** has the meaning given to it in Condition 3(c)(ii).

5. Redemption and Purchase

(a) *At Maturity*

Unless previously redeemed or purchased and cancelled each Note (unless it is an Index Linked Redemption Note, an Equity Linked Redemption Note, a Credit Linked Note, a Currency Linked Redemption Note, a Commodity Linked Redemption Note, a Government Bond Linked Redemption Note, a Fund Linked Redemption Note, an Inflation Index Linked Redemption Note or a Certificate Linked Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) *Call Option - Redemption at the Option of the Issuer*

If the Issuer is specified in the applicable Final Terms as having “Issuer Call” in respect of any Series, subject as provided in Condition 10(u) in respect of Credit Linked Notes, the Issuer may (unless otherwise specified in the applicable Final Terms), having given not less than 15 nor more than 30 days’ notice to the Agent (or, in the case of Registered Notes cleared through CREST, the Registrar) and the Trustee and, in accordance with Condition 23, the Noteholders of that Series (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes of such Series then outstanding on the date(s) specified in the applicable Final Terms as the **Issuer Optional Redemption Date(s)** and at the amount(s) specified as the **Issuer Optional Redemption Amount(s)** in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Issuer Optional Redemption Date(s). Any such redemption must be of a nominal amount not less than the amount specified in the applicable Final Terms as the **Minimum Redemption Amount** or not greater than the amount specified in the applicable Final Terms as the **Maximum Redemption Amount**. In the case of a partial redemption of Notes of any Series, the Notes to be redeemed (**Redeemed Notes**) will, in the case of Notes not cleared through CREST, be selected individually by lot at such place and in such manner as the Agent, in the case of Bearer Notes, or the relevant Registrar, in the case of Registered Notes not cleared through CREST, may approve and deem fair and reasonable, in the case of Redeemed Notes represented by definitive Bearer or Registered Notes, and in accordance with the rules 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), in the case of Redeemed Notes in bearer form represented by a Global Note, not more than 60 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 23 not less than five days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this subparagraph (b) and notice to that effect shall

be given by the Issuer to the Noteholders of the relevant Series in accordance with Condition 23 at least five days prior to the Selection Date. In the case of a partial redemption of Notes of any Series cleared through CREST, the Redeemed Notes will be selected by the relevant Registrar, acting in accordance with the Registry Services Agreement, the rules of the Operator and the Regulations.

(c) *Put Option - Redemption at the Option of the Noteholders*

If the Noteholders of any Series are specified in the applicable Final Terms as having "Investor Put", subject as provided in Condition 10(u) in respect of Credit Linked Notes, upon the holder of any Note of such Series giving to the Issuer in accordance with Condition 23 not less than 15 nor more than 30 days' notice or such other period of notice as is specified in the applicable Final Terms (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the date specified in the applicable Final Terms as the **Noteholder Optional Redemption Date** (which date shall, in the case of a Floating Rate Note, be an Interest Payment Date) and at the amount specified as the **Noteholder Optional Redemption Amount** in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Noteholder Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

In order to exercise the right to require redemption of the Note, the holder of the Note must (i) if such Note is in definitive form, deliver such Note at the specified office of any Paying Agent (in the case of Bearer Notes) or the relevant Registrar (in the case of Registered Notes not cleared through CREST) on any Business Day at any time during normal business hours of such Paying Agent or Registrar, as the case may be, falling within the notice period, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (in the case of the Bearer Notes) or the relevant Registrar (in the case of Registered Notes not cleared through CREST) in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition, (ii) if such Note is a Global Note, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on instruction by Euroclear and Clearstream, Luxembourg or any common depositary or safekeeper, as the case may be, to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, at the same time, present or procure the presentation of the relevant Global Note to the Agent for notation accordingly or (iii) if such Note is cleared through CREST, deliver at any time during normal business hours of the relevant Registrar, falling within the notice period, a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of the relevant Registrar in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

(d) *Early Redemption Amounts*

For the purposes of Condition 19, Condition 10(k)(v), Condition 10(u)(a)(ii) and Condition 5(i) and (j), each Note will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of a Note other than an Index Linked Interest Note, an Index Linked Redemption Note, an Equity Linked Interest Note, an Equity Linked Redemption Note, a Credit Linked Note, a Currency Linked Interest Note, a Currency Linked Redemption Note, a Commodity Linked Interest Note, a Commodity Linked

Redemption Note, a Government Bond Linked Interest Note, a Government Bond Linked Redemption Note, a Fund Linked Interest Note, a Fund Linked Redemption Note, an Inflation Index Linked Interest Note, an Inflation Index Linked Redemption Note, a Certificate Linked Interest Note or a Certificate Linked Redemption Note, where the Final Redemption Amount is equal to the Issue Price, at the Final Redemption Amount thereof, or

- (ii) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = RP \times (1 + AY)y$$

where:

RP means the Reference Price; and

AY means the accrual yield specified in the applicable final terms (**Accrual Yield**) expressed as a decimal; and

y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms; or

- (iii) if neither (i) nor (ii) above apply, the Early Redemption Amount in respect of each nominal amount of the Notes equal to the Calculation Amount will be either (i) an amount in the Specified Currency determined by the Calculation Agent which represents the fair market value of such Calculation Amount immediately prior to the date on which the Notes become redeemable (ignoring for the purposes of a redemption pursuant to Condition 5(i), the relevant unlawfulness, illegality or prohibition and for the purposes of a redemption pursuant to either Condition 10(k)(v) or Condition 10(u)(a)(ii), ignoring the relevant Constraint Event) less (except in the case of any early redemption pursuant to Condition 19) the proportionate cost to the Issuer and/or its Affiliates of unwinding any underlying and/or related hedging and funding arrangements in respect of the Notes (including without limitation, any equity options hedging the Issuer's obligations under the Notes) and for the purposes of determining the fair market value of such Calculation Amount for the purposes of Condition 19, no account shall be taken of the financial condition of the Issuer which shall be presumed to be able to perform fully its obligations in respect of the Notes, or (ii) such other amount determined by reference to the provisions in the applicable Final Terms.

- (e) *Instalments*

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms in accordance with Condition 4(b).

- (f) *Purchases*

The Issuer may at any time purchase beneficially or procure others to purchase beneficially for its account Notes of any Series (provided that, in the case of definitive Bearer Notes, all unmatured Receipts and Coupons appertaining thereto are purchased therewith) in the open market, by tender (available to all Noteholders of a Series alike) or by private treaty. Notes purchased or otherwise acquired by the Issuer may be held or resold or, at the discretion of the Issuer, surrendered to the Agent for cancellation (together with (in the case of definitive Bearer Notes) any unmatured Coupons or Receipts attached thereto or purchased therewith).

(g) *Cancellation*

All Notes which are redeemed or purchased or otherwise acquired as aforesaid and surrendered to the Agent for cancellation will forthwith be cancelled (together, in the case of definitive Bearer Notes, with all matured Receipts and Coupons attached thereto or surrendered therewith at the time of redemption) and thereafter may not be re-issued or resold.

(h) *Late Payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b) or (c) above or upon its becoming due and repayable as provided in Condition 19 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (d)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (I) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (II) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) and notice to that effect has been given to the Noteholders in accordance with Condition 23.

(i) *Illegality*

In the event that the Issuer determines in good faith that either the performance of its obligations under a Series of Notes or that any arrangements made to hedge its position under such Notes has or will become unlawful, illegal, or otherwise prohibited in whole or in part under any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof, the Issuer may, having given not more than 30 nor less than 3 days' notice to Noteholders in accordance with Condition 23 (which notice shall be irrevocable), redeem all, but not some only, of the Notes of such Series, each Note being redeemed at the relevant Early Redemption Amount (determined in accordance with Condition 5(d)) together with, if so specified in the applicable Final Terms, accrued interest.

(j) *Taxation*

In the event that the Issuer determines in good faith that either the performance of its obligations under a Series of Notes or that any arrangements made to hedge its position under such Notes: (i) has resulted in; or (ii) will result in (following a change in any applicable present or future law, rule, regulation, judgement, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof), the Issuer or any affiliate not being entitled to tax relief in respect of any losses, costs or expenses

incurred in relation to such Notes or hedging arrangements, the Issuer may, having given not more than 30 nor less than 3 days' notice to Noteholders in accordance with Condition 23 (which notice shall be irrevocable), redeem all, but not some only, of the Notes of such Series, each Note being redeemed at the relevant Early Redemption Amount (determined in accordance with Condition 5(d)) together with, if so specified in the applicable Final Terms, accrued interest.

(k) *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition, subject as provided in the applicable Final Terms.

6. Currency Linked Notes

If the Notes are specified as Currency Linked Interest Notes and/or Currency Linked Redemption Notes in the applicable Final Terms, the provisions of this Condition 6 apply, as applicable, as modified by the applicable Final Terms.

(a) *Redemption of Currency Linked Notes*

Unless previously redeemed or purchased and cancelled, each nominal amount of the Currency Linked Notes equal to the Calculation Amount set out in the applicable Final Terms (the **Specified Amount**) will be redeemed by the Issuer at the Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms on the Maturity Date.

(b) *Adjustments to a Currency Exchange Rate*

(i) *Adjustments and Determination*

If a day on which a Currency Exchange Rate is to be determined is not a Currency Business Day, such day may be deferred, brought forward or omitted as determined by the Calculation Agent.

(ii) *Notice*

Upon the Calculation Agent making a determination pursuant to (i) above, the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 23 giving details of such determination.

(c) *Definitions applicable to Currency Linked Notes*

Averaging Date means, subject as provided in Condition 6(b)(i) above, each date specified as an Averaging Date in the applicable Final Terms.

Currency Business Day means a day on which the relevant Currency Exchange Rate can, in the determination of the Issuer, be determined.

Currency Exchange Rate means the currency exchange rate specified in the applicable Final Terms as determined by the Calculation Agent with reference to the Screen Page, provided that if the Calculation Agent determines that such rate is not displayed on the relevant Screen Page, the Currency Exchange Rate shall be determined by the Calculation Agent in good faith acting in a commercially reasonable manner.

Observation Date means, subject as provided in Condition 6(b)(i) above, each date specified as an Observation Date in the applicable Final Terms.

Screen Page means the screen page for the Currency Exchange Rate set out in the applicable Final Terms.

Valuation Time means the time specified in the applicable Final Terms.

Valuation Date means, subject as provided in Condition 6(b)(i) above, the date specified as the Valuation Date in the applicable Final Terms.

7. Index Linked Notes

If the Notes are specified as Index Linked Interest Notes and/or Index Linked Redemption Notes in the applicable Final Terms, the provisions of this Condition 7 apply, as applicable, as modified by the applicable Final Terms.

(a) *Redemption of Index Linked Notes*

Unless previously redeemed or purchased and cancelled, each nominal amount of the Index Linked Notes equal to the Calculation Amount set out in the applicable Final Terms (the **Specified Amount**) will be redeemed by the Issuer at the Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms on the Maturity Date.

(b) *Adjustments to an Index*

(i) Successor Index Sponsor Calculates and Reports an Index

If a relevant Index is (A) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor (a **Successor Index Sponsor**) acceptable to the Calculation Agent or (B) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then, in each case, that index (the **Successor Index**) will be deemed to be the Index.

(ii) Modification and Cessation of Calculation of an Index

If (A) on or prior to the Valuation Date or an Averaging Date the relevant Index Sponsor makes or announces that it will make a material change in the formula for or the method of calculating a relevant Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent stock and capitalisation, contracts or commodities and other routine events) (an **Index Modification**) or permanently cancels the Index and no Successor Index exists (an **Index Cancellation**), or (B) on the Valuation Date or an Averaging Date the Index Sponsor or (if applicable) the Successor Index Sponsor fails to calculate and announce a relevant Index (an **Index Disruption** and together with an Index Modification and an Index Cancellation, each an **Index Adjustment Event**), then the Issuer may take the action described in (a) or (b) below:

(a) require the Calculation Agent to determine if such Index Adjustment Event has a material effect on the Notes and, if so, to calculate the Reference Price using, in lieu of a published level for that Index, the level for that Index as at the Valuation Time on the Valuation Date or that Averaging Date, as the case may be, as determined by the Calculation Agent in accordance with the formula for and method of calculating that Index last in effect prior to the change, failure or cancellation but using only

those securities/commodities that comprised that Index immediately prior to that Index Adjustment Event;

(b) give notice to the Noteholders in accordance with Condition 23 and redeem all, but not some only, of the Notes, each Specified Amount being redeemed at the Early Redemption Amount determined in accordance with the applicable Final Terms together with, if so specified in the applicable Final Terms, accrued interest.

(iii) Notice

Upon the occurrence of an Index Adjustment Event, the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 23 giving details of the action proposed to be taken in relation thereto.

(iv) Correction of an Index

If Correction of an Index is specified as applying in the applicable Final Terms and the official closing level of an Index published on the Valuation Date or an Averaging Date is subsequently corrected and the correction (the **Corrected Index Level**) is published by the Index Sponsor or (if applicable) the Successor Index Sponsor prior to the Correction Cut-Off Date specified in the applicable Final Terms, then such Corrected Index Level shall be deemed to be the closing level for such Index for the Valuation Date or such Averaging Date, as the case may be, and the Calculation Agent shall use such Corrected Index Level in determining the relevant Rate of Interest and/or Interest Amount(s) (in respect of Notes specified as Index Linked Interest Notes in the applicable Final Terms) and/or the Final Redemption Amount (in respect of Notes specified as Index Linked Redemption Notes in the applicable Final Terms).

(c) *Definitions applicable to Index Linked Notes*

Averaging Date means each date specified as an Averaging Date in the applicable Final Terms or (if any such date is not a Scheduled Trading Day) the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day. If any such day is a Disrupted Day, then:

(a) if **Omission** is specified in the applicable Final Terms as applying, then such date will be deemed not to be an Averaging Date for purposes of determining the relevant Rate of Interest and/or Interest Amount(s) (in respect of Notes specified as Index Linked Interest Notes in the applicable Final Terms) and/or the Final Redemption Amount (in respect of Notes specified as Index Linked Redemption Notes in the applicable Final Terms) provided that, if through the operation of this provision there would not be an Averaging Date, then the provisions of the definition of "Valuation Date" will apply for the purposes of determining the relevant level, price or amount on the final Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day; or

(b) if **Postponement** is specified in the applicable Final Terms as applying, then the provisions of the definition of "Valuation Date" will apply for purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date; or

(c) if **Modified Postponement** is specified in the applicable Final Terms as applying:

- (i) where the Notes relate to a single Index, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date, then (A) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether the eighth Scheduled Trading Day is already an Averaging Date), and (B) the Calculation Agent shall determine the relevant level, price or amount for that Averaging Date in accordance with sub-paragraph (a)(ii) of the definition of "Valuation Date" below; and
- (ii) where the Notes relate to a Basket of Indices, the Averaging Date for each Index not affected by the occurrence of a Disrupted Day shall be the originally designated Averaging Date (the **Scheduled Averaging Date**) and the Averaging Date for an Index affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Index. If the first succeeding Valid Date in relation to such Index has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date, then (A) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in relation to such Index, and (B) the Calculation Agent shall determine the relevant level, price or amount for such Averaging Date in accordance with sub-paragraph (b)(ii) of the definition of "Valuation Date" below;

Disrupted Day means (i) where the relevant Index is specified in the applicable Final Terms as not being a Multi-Exchange Index, any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred or (ii) where the relevant Index is specified in the applicable Final Terms as being a Multi-Exchange Index, any Scheduled Trading Day on which (a) the Index Sponsor fails to publish the level of the Index, (b) any Related Exchange fails to open for trading during its regular trading session or (c) a Market Disruption Event has occurred.

Early Closure means the closure on any Exchange Business Day of the Exchange in respect of any Component Security or any Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange, as the case may be, at least one hour prior to the earlier of: (i) the actual closing time for the regular trading session on such Exchange or Related Exchange, as the case may be, on such Exchange Business Day; and (ii) the submission deadline for orders to be entered into the relevant Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

Exchange means:

- (a) where the relevant Index is not specified in the applicable Final Terms as being a Multi-Exchange Index, each exchange or quotation system specified as such for such Index in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the securities/commodities comprising such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the securities/commodities comprising such Index on such temporary substitute exchange or quotation system as on the original Exchange); and

(b) where the relevant Index is specified in the applicable Final Terms as being a Multi-Exchange Index, in relation to each component security of that Index (each a **Component Security**), the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent.

Exchange Business Day means either (i) where the relevant Index is not specified in the applicable Final Terms as being a Multi-Exchange Index, any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time or (ii) where the relevant Index is specified in the applicable Final Terms as being a Multi-Exchange Index, any Scheduled Trading Day on which (a) the Index Sponsor publishes the level of the Index and (b) each Related Exchange is open for trading during its regular trading session, notwithstanding the Related Exchange closing prior to its Scheduled Closing Time.

Exchange Disruption means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for: (i) any Component Security on the Exchange in respect of such Component Security; or (ii) futures or options contracts relating to the Index on any Related Exchange.

Indices and Index mean, subject to adjustment in accordance with Condition 7(b), the indices or index specified in the applicable Final Terms and related expressions shall be construed accordingly.

Index Sponsor means, in relation to an Index, the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to such Index and (b) announces (directly or through an agent) the level of such Index on a regular basis during each Scheduled Trading Day, which as of the Issue Date is the index sponsor specified for such Index in the applicable Final Terms.

Market Disruption Event means, in respect of an Index,

(x) where such Index is specified in the Final Terms as not being a Multi-Exchange Index:

(a) the occurrence or existence at any time during the one hour period that ends at the relevant Valuation Time:

(i) of any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:

(A) on any relevant Exchange(s) relating to securities that comprise 20 per cent. or more of the level of the relevant Index; or

(B) in futures or options contracts relating to the relevant Index on any relevant Related Exchange; or

(ii) of any event (other than an event described in (b) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, on any relevant Exchange(s), securities that comprise 20 per cent. or more of the level of the relevant Index, or (B)

to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Index on any relevant Related Exchange; or

(b) the closure on any Exchange Business Day of any relevant Exchange(s) relating to securities/commodities that comprise 20 per cent. or more of the level of the relevant Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to (A) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day or, if earlier, (B) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day,

which in any such case the Calculation Agent determines is material; or

(y) where such Index is specified in the applicable Final Terms as being a Multi-Exchange Index, in respect of a Component Security included in such Index either:

(I) the occurrence or existence, in respect of any Component Security, of:

(i) a Trading Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange in respect of such Component Security;

(ii) an Exchange Disruption in respect of such Component Security, which the Calculation Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange in respect of such Component Security; OR

(iii) an Early Closure in respect of such Component Security, which the Calculation Agent determines is material; AND

either:

(1) where the applicable Final Terms does not specify that the X Percentage applies, the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of the Index; or

(2) where the applicable Final Terms specifies that the X Percentage applies, the sum of (A) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists and (B) the X Percentage, comprises 20 per cent. or more of the level of the Index:

OR

(II) the occurrence or existence, in respect of futures or options contracts relating to the Index, of:

(a) a Trading Disruption at any time during the one hour period that ends at the Valuation Time in respect of any Related Exchange;

(b) an Exchange Disruption at any time during the one hour period that ends at the Valuation Time in respect of any Related Exchange; or

(c) an Early Closure,

in each case in respect of such futures or options contracts and which the Calculation Agent determines is material.

For the purpose of determining whether a Market Disruption Event exists in relation to an Index or in respect of a Component Security at any time, if an event giving rise to a Market Disruption Event occurs in respect of a security included in the Index or such Component Security at that time, then the relevant percentage contribution of that security or Component Security, as the case may be, to the level of that Index shall be based on a comparison of (i) the portion of the level of that Index attributable to that security or Component Security, as the case may be, and (ii) the overall level of that Index, in each case either (a) except where the relevant Index is specified in the applicable Final Terms as being a Multi-Exchange Index, immediately before the occurrence of such Market Disruption Event or (b) where the relevant Index is specified in the applicable Final Terms as being a Multi-Exchange Index, using the official opening weightings as published by the Index Sponsor as part of the market “opening data”.

The Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 23 of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been an Averaging Date or a Valuation Date, as the case may be. Without limiting the obligation of the Calculation Agent to give notice to the Noteholders as set forth in the preceding sentence, failure by the Calculation Agent to notify the Noteholders of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day.

Reference Price means, in respect of an Index, an amount equal to the official closing level of the Index as determined by the Calculation Agent (or if a Valuation Time other than the Scheduled Closing Time is specified in the applicable Final Terms, the level of the Index determined by the Calculation Agent at such Valuation Time) on (i) if a Valuation Date is specified in the applicable Final Terms, the Valuation Date (as defined below) or (ii) if Averaging Dates are specified in the applicable Final Terms, an Averaging Date and, in either case, if specified in the applicable Final Terms, without regard to any subsequently published correction.

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

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

Scheduled Trading Day means (i) where the relevant Index is specified in the applicable Final Terms as not being a Multi-Exchange Index, any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading

sessions or (ii) where the relevant Index is specified in the applicable Final Terms as being a Multi-Exchange Index, (a) any day on which the Index Sponsor is scheduled to publish the level of that Index, (b) each Related Exchange is scheduled to be open for trading for its regular trading session and (c) where the applicable Final Terms specifies that the X Percentage applies in relation to such Index, no more than 20 per cent. of the Component Securities that comprise the level of such Index are scheduled to be unavailable for trading on the relevant Exchange(s) by virtue of such day not being a day upon which any such relevant Exchange is scheduled to be open for trading for its regular trading sessions (such unavailable percentage being the **X Percentage**).

For the purposes of determining the X Percentage, the relevant percentage contribution of each Component Security unavailable for trading shall be based on a comparison of (a) the portion of the level of that Index to that Component Security relative to (b) the overall level of that Index, in each case using the official opening weightings as published by the relevant Index Sponsor as part of the market “opening data”.

Strike Price means the amount specified as such in the applicable Final Terms.

Scheduled Valuation Date means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

Trading Disruption means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange, as the case may be, or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise: (i) relating to any Component Security on the Exchange in respect of such Component Security; or (ii) in futures or options contracts relating to the Index on any Related Exchange.

Valid Date means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not or is not deemed to occur.

Valuation Date means the date specified as such in the applicable Final Terms or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day then:

- (a) where the Notes are specified in the applicable Final Terms to relate to a single Index, the Valuation Date shall be the first succeeding Scheduled Trading Day unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date (notwithstanding the fact that such day is a Disrupted Day) and (ii) the Calculation Agent shall determine the Reference Price in the manner set out in the applicable Final Terms or, if not set out or not practicable, determine the Reference Price by determining the level of the Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security/commodity comprised in the Index (or if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security/commodity as of the Valuation Time on that eighth Scheduled Trading Day); or
- (b) where the Notes are specified in the applicable Final Terms to relate to a Basket of Indices, the Valuation Date for each Index not affected by the occurrence of a

Disrupted Day shall be the Scheduled Valuation Date and the Valuation Date for each Index affected by the occurrence of a Disrupted Day (each an **Affected Index**) shall be the next following Scheduled Trading Day that is not a Disrupted Day relating to the Affected Index, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Index. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the Affected Index, notwithstanding the fact that such day is a Disrupted Day and (ii) the Calculation Agent shall determine the Reference Price using, in relation to the Affected Index, the level of that Index determined in the manner set out in the applicable Final Terms or, if not set out or if not practicable, using the level of that Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security/commodity comprised in that Index (or if an event giving rise to a Disrupted Day has occurred in respect of the relevant security/commodity on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security/commodity as of the Valuation Time on that eighth Scheduled Trading Day).

Valuation Time means:

- (i) in respect of each Index specified in the applicable Final Terms as not being a Multi-Exchange Index, the Relevant Time specified in the applicable Final Terms or if no Relevant Time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date or Averaging Date, as the case may be, in relation to such Index. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time; or
- (ii) in respect of each Index specified in the applicable Final Terms as being a Multi-Exchange Index, (a) for the purposes of determining whether a Market Disruption Event has occurred: (x) in respect of a Component Security, the Scheduled Closing Time on the relevant Exchange and (y) in respect of any options contracts or futures contracts on the relevant Index, the close of trading on the relevant Related Exchange, and (b) in all other circumstances, the time at which the official closing level of the Index is calculated and published by the Index Sponsor. If, for the purposes of (a) above, the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

8. **Equity Linked Notes**

If the Notes are specified as Equity Linked Interest Notes and/or Equity Linked Redemption Notes in the applicable Final Terms, the provisions of this Condition 8 apply, as applicable, as modified by the applicable Final Terms.

(a) *Redemption of Equity Linked Notes*

Unless previously redeemed or purchased and cancelled, each nominal amount of Equity Linked Notes equal to the Calculation Amount set out in the applicable Final Terms (the **Specified Amount**) will be redeemed by the Issuer (A) if Cash Settlement is specified in the applicable Final Terms, by payment of the Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms on the Maturity Date or (B) if Physical Delivery is specified in the applicable Final Terms, by delivery of the Asset Amount specified in, or determined in the manner specified in, the applicable Final Terms on

the Maturity Date (subject as provided below) or (C) if Cash Settlement and/or Physical Delivery is specified in the applicable Final Terms, by payment of the Final Redemption Amount and/or by delivery of the Asset Amount on the terms set out in the applicable Final Terms, in each case on the Maturity Date (subject as provided below).

(b) *Potential Adjustment Events, De-listing, Merger Event, Tender Offer, Nationalisation and Insolvency, Adjustments for Equity Linked Notes in respect of Underlying Equities quoted in European Currencies and Correction of Underlying Equity Prices*

(i) If Potential Adjustment Events are specified in the applicable Final Terms, then following the declaration by an Equity Issuer of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting, concentrative or other effect on the theoretical value of the Underlying Equities and, if so, will (a) make the corresponding adjustment, if any, to any one or more of the relevant Rate of Interest and/or Interest Amount(s) (in respect of Notes specified as Equity Linked Interest Notes in the applicable Final Terms), the Final Redemption Amount (in respect of Notes specified as Equity Linked Redemption Notes in the applicable Final Terms) and/or the Asset Amount and/or the Strike Price and/or any of the other terms of these Conditions and/or the applicable Final Terms as the Calculation Agent determines appropriate to account for that diluting, concentrative or other effect (provided that no adjustment will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the Underlying Equity) including (unless "Equity Substitution" is specified as not applying in the applicable Final Terms) the substitution of the Underlying Equity (the **Substituted Equity**) the subject of the Potential Adjustment Event by a share selected by the Calculation Agent from the Reference Index (the **New Equity**) and (b) determine the effective date of that adjustment. Unless "Equity Substitution" is specified as not applying in the applicable Final Terms, if the Calculation Agent selects a New Equity in substitution for the Substituted Equity, the Issuer shall make such other adjustments to these Conditions as it deems appropriate. The Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Underlying Equities traded on that options exchange.

In making any determination in respect of any such adjustment, the Calculation Agent shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such determination for individual Noteholders, Receiptholders or Couponholders (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, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Calculation Agent, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such determination upon individual Noteholders, Receiptholders or Couponholders.

Upon making any such adjustment, the Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 23, stating the adjustment to the relevant Rate of Interest and/or Interest Amount(s) (in respect of Notes specified as Equity Linked Interest Notes in the applicable Final Terms), the Final Redemption Amount (in respect of Notes specified as Equity Linked Redemption Notes in the applicable Final Terms) and/or the Asset Amount and/or the

Strike Price and/or any of the other terms of these Conditions and/or the applicable Final Terms and giving brief details of the Potential Adjustment Event.

(ii) If (x) De-listing, Merger Event, Nationalisation and Insolvency is specified as applying in the applicable Final Terms and/or (y) Tender Offer is specified as applying in the applicable Final Terms and (in the case of (x)) a De-listing, Merger Event, Nationalisation or Insolvency occurs or (in the case of (y)) a Tender Offer occurs, in each case, in relation to an Underlying Equity, the Issuer may:

(A) require the Calculation Agent to determine the appropriate adjustment, if any, to be made to any one or more of the relevant Rate of Interest and/or Interest Amount(s) (in respect of Notes specified as Equity Linked Interest Notes in the applicable Final Terms), the Final Redemption Amount (in respect of Notes specified as Equity Linked Redemption Notes in the applicable Final Terms) and/or the Asset Amount and/or the Strike Price and/or any of the other terms of these Conditions and/or the applicable Final Terms to account for the De-listing, Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, including (unless "Equity Substitution" is specified as not applying in the applicable Final Terms) the substitution of the Substituted Equity the subject of the De-listing, Merger Event, Nationalisation, Insolvency or Tender Offer by a New Equity and determine the effective date of that adjustment; or

(B) give notice to the Noteholders in accordance with Condition 23 and redeem all, but not some only, of the Notes, with each Specified Amount being redeemed at the Early Redemption Amount (determined in accordance with the applicable Final Terms) together with, if so specified in the applicable Final Terms, accrued interest.

If the provisions of Condition 8(b)(ii)(A) apply the Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of the De-listing, Merger Event, Nationalisation or Insolvency or Tender Offer, as the case may be, made by an options exchange to options on the Underlying Equities traded on that options exchange.

Unless "Equity Substitution" is specified as not applying in the applicable Final Terms, if the Calculation Agent selects a New Equity in substitution for the Substituted Equity, the Issuer shall make such other adjustments to these Conditions as it deems appropriate.

In making any determination in respect of any such adjustment, the Issuer and/or Calculation Agent shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such determination for individual Noteholders, Receiptholders or Couponholders (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 Issuer and/or Calculation Agent shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Calculation Agent, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such determination upon individual Noteholders, Receiptholders or Couponholders.

Upon the occurrence (if applicable) of a De-listing, Merger Event, Nationalisation or Insolvency or Tender Offer, the Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 23 stating the occurrence

of the De-listing, Merger Event, Nationalisation or Insolvency or Tender Offer, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

(iii) In respect of Equity Linked Notes relating to Underlying Equities originally quoted, listed and/or dealt as of the Trade Date in a currency of a member state of the European Union that has not adopted the single currency in accordance with the Treaty establishing the European Community, as amended, if such Underlying Equities are at any time after the Trade Date quoted, listed and/or dealt exclusively in euro on the relevant Exchange, then the Calculation Agent will adjust any one or more of the relevant Rate of Interest and/or Interest Amount(s) (in respect of Notes specified as Equity Linked Interest Notes in the applicable Final Terms), the Final Redemption Amount (in respect of Notes specified as Equity Linked Redemption Notes in the applicable Final Terms) and/or the Asset Amount and/or the Strike Price and/or any of the other terms of these Conditions and/or the applicable Final Terms as the Calculation Agent determines to be appropriate to preserve the economic terms of the Notes. The Calculation Agent will make any conversion necessary for the purposes of any such adjustment as of the Valuation Time at an appropriate mid-market spot rate of exchange determined by the Calculation Agent prevailing as of the Valuation Time. No adjustments under this Condition 8(b)(iii) will affect the currency denomination of any payments in respect of the Notes.

Upon making any such adjustment, the Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 23, stating the adjustment to the Final Redemption Amount and/or the Asset Amount and/or the Strike Price and/or any of the other terms of these Conditions and/or the applicable Final Terms.

(iv) If Correction of Underlying Equity Prices is specified as applying in the applicable Final Terms and the price of an Underlying Equity published on the Valuation Date or an Averaging Date, as the case may be, is subsequently corrected and the correction (the **Corrected Underlying Equity Price**) is published on the relevant Exchange prior to the Correction Cut-Off Date specified in the applicable Final Terms, then such Corrected Underlying Equity Price shall be deemed to be the closing price for such Underlying Equity for the Valuation Date or the Averaging Date, as the case may be, and the Calculation Agent shall use such Corrected Underlying Equity Price in determining the relevant Rate of Interest and/or Interest Amount(s) (in respect of Notes specified as Equity Linked Interest Notes in the applicable Final Terms) and/or the Final Redemption Amount (in respect of Notes specified as Equity Linked Redemption Notes in the applicable Final Terms).

(c) *Physical Delivery*

(i) If Physical Delivery is specified in the applicable Final Terms as applying in relation to an Equity Linked Redemption Note and the Notes are in definitive bearer form, the Asset Amount will be delivered at the risk of the relevant Noteholder, in the manner provided in Condition 9 on the Maturity Date (such date, subject to adjustment in accordance with this Condition, the **Delivery Date**), provided that the Asset Transfer Notice (as defined in Condition 9) is duly delivered and copied to the Issuer as provided in Condition 9, not later than the close of business in each place of receipt on the Cut-Off Date specified in the applicable Final Terms.

If, in respect of any Note in definitive form, the holder thereof fails to deliver an Asset Transfer Notice as provided herein with a copy to the Issuer, not later than the close of business in each place of receipt on the Cut-Off Date, then the Asset

Amount(s) in respect of such Note will be delivered as soon as practicable after the Maturity Date (in which case, such date of delivery shall be the Delivery Date) at the risk of such Noteholder in the manner provided above. For the avoidance of doubt, in such circumstances such Noteholder shall not be entitled to any payment, whether of interest or otherwise, as a result of such Delivery Date falling after the originally designated Delivery Date and no liability in respect thereof shall attach to the Issuer.

If, in respect of any Note in definitive form, the holder thereof fails to give an Asset Transfer Notice as provided herein with a copy to the Issuer, not later than the close of business in each place of receipt on the Final Date, then the Issuer shall have no further liability or obligation whatsoever in respect of such Note.

- (ii) If Physical Delivery is specified in the applicable Final Terms as applying in relation to an Equity Linked Redemption Note and the Notes are Bearer Notes represented by a Global Note, the Asset Amount(s) will be delivered at the risk of the relevant Noteholder, in the manner provided in Condition 9 on the Maturity Date (such date, subject to adjustment in accordance with Condition 8(c)(iii) below, also the **Delivery Date**).
- (iii) If, prior to the delivery of the Asset Amount(s) in accordance with this Condition, a Settlement Disruption Event is subsisting, then the Delivery Date in respect of such Note shall be postponed until the date on which no Settlement Disruption Event is subsisting and notice thereof shall be given to the relevant Noteholder in accordance with Condition 23. Such Noteholder shall not be entitled to any payment, whether of interest or otherwise, on such Note as a result of any delay in the delivery of the Asset Amount(s) pursuant to this paragraph. Where delivery of the Asset Amount(s) has been postponed as provided in this paragraph the Issuer shall not be in breach of these Conditions and no liability in respect thereof shall attach to the Issuer.

For so long as delivery of the Asset Amount(s) in respect of any Note is not practicable by reason of a Settlement Disruption Event, then in lieu of physical settlement and notwithstanding any other provision hereof, the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant Note by payment to the relevant Noteholder of the Disruption Cash Settlement Price not later than on the third Business Day following the date that the notice of such election (the **Election Notice**) is given to the Noteholders in accordance with Condition 23. Payment of the Disruption Cash Settlement Price will be made in such manner as shall be notified to the Noteholders in accordance with Condition 23.

Where the Asset Amount is, in the determination of the Issuer, an amount other than an amount of Relevant Assets capable of being delivered, the Noteholders will receive an Asset Amount comprising of the nearest number (rounded down) of Relevant Assets capable of being delivered by the Issuer (taking into account that a Noteholder's entire holding may be aggregated at the Issuer's discretion for the purpose of delivering the Asset Amounts), and an amount in the Specified Currency which shall be the value of the amount of the Relevant Assets which have not been delivered, as calculated by the Calculation Agent from such source(s) as it may select (converted if necessary into the Specified Currency by reference to such exchange rate as the Calculation Agent deems appropriate). Payment will be made in such manner as shall be notified to the Noteholders in accordance with Condition 23.

For the purposes of the Notes (i) the Issuer shall be under no obligation to register or procure the registration of any Noteholder or any other person as the registered shareholder in the register of members of any Equity Issuer, (ii) the Issuer shall not be obliged to account to any Noteholder or any other person for any entitlement received

or that is receivable in respect of any Underlying Equities comprising the Asset Amount(s) in respect of any Note if the date on which the Underlying Equities are first traded on the relevant Exchange ex such entitlement is on or prior to the Maturity Date and (iii) any interest, dividend or other distribution in respect of any Asset Amount will be payable to the party that would receive such interest, dividend or other distribution according to market practice for a sale of the relevant Underlying Equity executed on the Maturity Date and to be delivered in the same manner as the Asset Amount. Any such interest dividend or other distribution to be paid to a Noteholder shall be paid to the account specified in the relevant Asset Transfer Notice.

(d) *Failure to Deliver due to Illiquidity*

If Failure to Deliver due to Illiquidity is specified as applying in the applicable Final Terms and, in the opinion of the Calculation Agent, it is impossible or impracticable to deliver, when due, some or all of the Relevant Assets comprising the Asset Amount (the **Affected Relevant Assets**), where such failure to deliver is due to illiquidity in the market for the Relevant Assets (a Failure to Deliver), then:

- (i) subject as provided elsewhere in these Conditions and/or the applicable Final Terms, any Relevant Assets which are not Affected Relevant Assets, will be delivered on the originally designated Delivery Date in accordance with Condition 8(c) and Condition 9; and
- (ii) in respect of any Affected Relevant Assets, in lieu of physical settlement and notwithstanding any other provision hereof, the Issuer may elect in its sole discretion, in lieu of delivery of the Affected Relevant Assets, to pay to the relevant Noteholder in respect of each Specified Amount the Failure to Deliver Settlement Price on the fifth Business Day following the date the Failure to Deliver Notice is given to the Noteholders in accordance with Condition 23. Payment of the Failure to Deliver Settlement Price will be made in such manner as shall be notified to the Noteholders in accordance with Condition 23. The Calculation Agent shall give notice (such notice a **Failure to Deliver Notice**) as soon as reasonably practicable to the Noteholders in accordance with Condition 23 that the provisions of this Condition 8(d) apply.

(e) *Definitions applicable to Equity Linked 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. For these purposes **control** means ownership of a majority of the voting power of an entity. Notwithstanding the foregoing, the term "Affiliate" shall not include, in the context of the Issuer or any other member of the Group, (i) the United Kingdom government or any member or instrumentality thereof, including Her Majesty's Treasury and UK Financial Investments Limited (or any directors, officers, employees or entities thereof) or (ii) any persons or entities controlled by or under common control with the United Kingdom government or any member or instrumentality thereof (including Her Majesty's Treasury and UK Financial Investments Limited) and which are not part of The Royal Bank of Scotland Group plc and its subsidiary or subsidiary undertakings (including The Royal Bank of Scotland N.V. and each of its subsidiary or subsidiary undertakings).

Asset Amount has the meaning given in the applicable Final Terms.

Averaging Date means each date specified as an Averaging Date in the applicable Final Terms or (if any such date is not a Scheduled Trading Day) the immediately following Scheduled Trading Day unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day. If any such day is a Disrupted Day, then:

- (a) if **Omission** is specified in the applicable Final Terms as applying, then such date will be deemed not to be an Averaging Date for purposes of determining the relevant Rate of Interest and/or Interest Amount(s) (in respect of Notes specified as Equity Linked Interest Notes in the applicable Final Terms) and/or the Final Redemption Amount (in respect of Notes specified as Equity Linked Redemption Notes in the applicable Final Terms) provided that, if through the operation of this provision there would not be an Averaging Date, then the provisions of the definition of "Valuation Date" will apply for the purposes of determining the relevant level, price or amount on the final Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day; or
- (b) if **Postponement** is specified in the applicable Final Terms as applying, then the provisions of the definition of "Valuation Date" will apply for purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date; or
- (c) if **Modified Postponement** is specified in the applicable Final Terms as applying:
 - (i) where the Notes relate to a single Underlying Equity, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date, then (A) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether the eighth Scheduled Trading Day is already an Averaging Date), and (B) the Calculation Agent shall determine the relevant level, price or amount for that Averaging Date in accordance with sub-paragraph (a)(ii) of the definition of "Valuation Date" below; and
 - (ii) where the Notes relate to a Basket of Underlying Equities, the Averaging Date for each Underlying Equity not affected by the occurrence of a Disrupted Day shall be the originally designated Averaging Date (the **Scheduled Averaging Date**) and the Averaging Date for an Underlying Equity affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Underlying Equity. If the first succeeding Valid Date in relation to such Underlying Equity has not occurred as of the Valuation Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date, then (A) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in relation to such Index, and (B) the Calculation Agent shall determine the relevant level, price or amount for such Averaging Date in accordance with sub-paragraph (b)(ii) of the definition of "Valuation Date" below;

De-listing means, in respect of any Underlying Equity, the Exchange announces that pursuant to the rules of such Exchange, such Underlying Equity ceases (or will cease), to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and is not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union) or another exchange or quotation system located in another country which exchange or quotation system and country is deemed acceptable by the Calculation Agent.

Disruption Cash Settlement Price means an amount equal to the fair market value of the relevant Note (but not taking into account any interest accrued on such Note as such interest shall be paid pursuant to Conditions 3 and 4) on such day as shall be selected by the Issuer in its sole and absolute discretion provided that such day is not more than 15 days before the date that the Election Notice is given as provided above adjusted to take account fully for any losses, expenses and costs to the Issuer and/or any Affiliate of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any options or selling or otherwise realising any Relevant Asset or other instruments of any type whatsoever which the Issuer and/or any of its Affiliates may hold as part of such hedging arrangements), all as calculated by the Calculation Agent.

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

Exchange means, in respect of an Underlying Equity, each exchange or quotation system specified as such for such Underlying Equity in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Underlying Equity has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Underlying Equity on such temporary substitute exchange or quotation system as on the original Exchange).

Exchange Business Day means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

Failure to Deliver Settlement Price means, in respect of each Specified Amount, the fair market value of the Affected Relevant Assets on a Business Day selected by the Calculation Agent prior to the date on which the Failure to Deliver Notice is given as provided above, less the proportionate cost to the Issuer and/or its Affiliates of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any options or selling or otherwise realising any Relevant Asset or other instruments of any type whatsoever which the Issuer and/or any of its Affiliates may hold as part of such hedging arrangements), all as calculated by the Calculation Agent.

Insolvency means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding up of, or any analogous proceeding affecting, an Equity Issuer (a) all the Underlying Equities of that Equity Issuer are required to be transferred to a trustee, liquidator or other similar official or (b) holders of the Underlying Equities of that Equity Issuer become legally prohibited from transferring them.

Market Disruption Event means, in respect of an Underlying Equity:

- (a) the occurrence or existence at any time during the one hour period that ends at the relevant Valuation Time of:

- (i) any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:
 - (A) relating to the Underlying Equity on the relevant Exchange; or
 - (B) in futures or options contracts relating to the Underlying Equity on any relevant Related Exchange; or
- (ii) any event (other than an event described in (b) below) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, the Underlying Equities on the Exchange, or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Underlying Equity on any relevant Related Exchange,
- (b) the closure on any Exchange Business Day of any relevant Exchange(s) or Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or such Related Exchange(s), as the case may be, at least one hour prior to (A) the actual closing time for the regular trading session on such Exchange(s) or such Related Exchange(s) on such Exchange Business Day or if earlier (B) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day,

which in any such case the Calculation Agent determines is material.

The Calculation Agent shall give notice as soon as practicable to the Noteholders in accordance with Condition 23 of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been a Valuation Date or an Averaging Date, as the case may be. Without limiting the obligation of the Calculation Agent to give notice to the Noteholders as set forth in the preceding sentence, failure by the Calculation Agent to notify the Noteholders of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day.

Merger Date means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

Merger Event means, in respect of any relevant Underlying Equities, any:

- (a) reclassification or change of such Underlying Equities that results in a transfer of, or an irrevocable commitment to transfer all such Underlying Equities outstanding to another entity or person; or
- (b) consolidation, amalgamation, merger or binding share exchange of an Equity Issuer with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Equity Issuer is the continuing entity and which does not result in any such reclassification or change of all such Underlying Equities outstanding); or
- (c) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Underlying Equities of the Equity Issuer that results in a transfer of or an irrevocable

commitment to transfer all such Underlying Equities (other than such Underlying Equities owned or controlled by such other entity or person); or

(d) consolidation, amalgamation, merger or binding share exchange of the Equity Issuer or its subsidiaries with or into another entity in which the Equity Issuer is the continuing entity and which does not result in a reclassification or change of all such Underlying Equities outstanding but results in the outstanding Underlying Equities (other than Underlying Equities owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Underlying Equities immediately following such event,

in each case where the Merger Date is on or before the Valuation Date or, if the Notes are to be redeemed by delivery of Underlying Equities, the Maturity Date.

Nationalisation means that all the Underlying Equities or all or substantially all the assets of an Equity Issuer are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

Potential Adjustment Event means any of the following:

- (a) a subdivision, consolidation or reclassification of relevant Underlying Equities (unless resulting in a Merger Event), or a free distribution or dividend of any such Underlying Equities to existing holders by way of bonus, capitalisation or similar issue;
- (b) a distribution, issue or dividend to existing holders of the relevant Underlying Equities of (i) such Underlying Equities or (ii) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of an Equity Issuer equally or proportionately with such payments to holders of such Underlying Equities or (iii) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Equity Issuer as a result of a spin-off or other similar transaction or (iv) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (c) an extraordinary dividend as determined by the Calculation Agent;
- (d) a call by an Equity Issuer in respect of relevant Underlying Equities that are not fully paid;
- (e) a repurchase by an Equity Issuer or any of its subsidiaries of relevant Underlying Equities whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or
- (f) in respect of an Equity Issuer, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Equity Issuer, pursuant to a shareholder rights plan or arrangement directed against hostile take-overs that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or

(g) any other event that has or may have, in the opinion of the Calculation Agent, a diluting, concentrative or other effect on the theoretical value of the relevant Underlying Equities.

Reference Index means, in relation to a Substituted Equity (as defined above), the index (a) of which the Substituted Equity is a component, or of which it has been a component of at any time during the six months immediately preceding the relevant substitution, and (b) over which futures contracts are actively traded, as determined by the Calculation Agent. If more than one index satisfies the above criteria or if no index satisfies the above criteria, the Calculation Agent shall determine the Reference Index for the Substituted Equity by reference to such criteria as it deems appropriate.

Reference Price means, in respect of an Underlying Equity, an amount equal to the official closing price (or the price at the Valuation Time (A) if a Valuation Date is specified in the applicable Final Terms, on the Valuation Date or (B) if Averaging Dates are specified in the applicable Final Terms, on an Averaging Date) of the Underlying Equity quoted on the relevant Exchange and, if specified in the applicable Final Terms, without regard to any subsequently published correction as determined by or on behalf of the Calculation Agent (or if, in the opinion of the Calculation Agent, no such official closing price (or, as the case may be, the price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) can be determined at such time and, if the Valuation Date or such Averaging Date, as the case may be is not a Disrupted Day, an amount determined by the Calculation Agent in good faith to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) and the closing fair market selling price (or the fair market selling price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) for the Underlying Equity based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or the middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Underlying Equity or on such other factors as the Calculation Agent shall decide). The amount determined pursuant to the foregoing shall be converted, if Exchange Rate is specified as applying in the applicable Final Terms, into the Specified Currency at the Exchange Rate and such converted amount shall be the Reference Price.

Related Exchange means, in relation to an Underlying Equity, each exchange or quotation system specified as such in relation to such Underlying Equity in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Underlying Equity has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Underlying Equity on such temporary substitute exchange or quotation system as on the original Related Exchange), Provided that where "All Exchanges" is specified as the Related Exchange in the applicable Final Terms, Related Exchange shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Underlying Equity.

Settlement Disruption Event means an event beyond the control of the Issuer, as a result of which, in the opinion of the Calculation Agent, delivery of the Asset Amount by or on behalf of the Issuer in accordance with these Conditions and/or the applicable Final Terms is not practicable.

Scheduled Closing Time means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related

Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

Scheduled Trading Day means any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

Scheduled Valuation Date means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been the Valuation Date.

Strike Price means the amount specified as such in the applicable Final Terms.

Tender Offer means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Equity Issuer, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

Underlying Equities and **Underlying Equity** mean the equity securities or equity security specified as such in the applicable Final Terms and related expressions shall be construed accordingly.

Valuation Date means the date specified as such in the applicable Final Terms or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day unless in the opinion of the Calculation Agent, such day is a Disrupted Day. If such day is a Disrupted Day then:

- (a) where the Notes are specified in the applicable Final Terms to relate to a single Underlying Equity, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case (i) the eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall, where practicable, determine the Reference Price in the manner set out in the applicable Final Terms or, if not set out or not so practicable, determine the Reference Price in accordance with its good faith estimate of the Reference Price as of the Valuation Time on that eighth Scheduled Trading Day; or
- (b) where the Notes are specified in the applicable Final Terms to relate to a Basket of Underlying Equities the Valuation Date for each Underlying Equity not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Underlying Equity affected (each an **Affected Equity**) by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Equity unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to the Affected Equity. In that case, (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the Affected Equity, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine, where practicable, the Reference Price using, in relation to the Affected Equity, a price determined in the manner set out in the applicable Final Terms or, if not set out or if not practicable, using its good faith estimate of the value for the Affected Equity as of the Valuation Time on that eighth Scheduled Trading Day and otherwise in accordance with the above provisions.

Valid Date means a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date does not or is not deemed to occur.

Valuation Time means the Valuation Time specified in the applicable Final Terms or, if no Valuation Time is specified, the Scheduled Closing Time on the relevant Exchange on the Valuation Date or Averaging Date, as the case may be in relation to each Underlying Equity to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

9. Physical Delivery

(a) *Notes represented by one or more Global Notes*

If Physical Delivery is specified in the applicable Final Terms as applying in relation to any Note and if the Notes are represented by one or more Global Notes, delivery of the Asset Amount(s) will (subject as provided below) be made against presentation or surrender, as the case may be, of the relevant Global Note at the specified office of any Paying Agent outside the United States. A record of each delivery made against presentation or surrender of such Global Note will be made on such Global Note on behalf of the Issuer by the Paying Agent to which such Global Note is presented for the purpose of making such delivery, and such record shall be *prima facie* evidence that the delivery in question has been made.

The holder of a Global Note shall be the only person entitled to receive delivery of the Asset Amounts in respect of Notes represented by such Global Note and the Issuer will be discharged by delivery to, or to the order of, the holder of such Global Note in respect of each amount so delivered. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each delivery so made by the Issuer to, or to the order of, the holder of such Global Note. No person other than the holder of such Global Note shall have any claim against the Issuer in respect of any deliveries due on that Global Note.

For the avoidance of doubt, no Asset Transfer Notice will be required.

(b) *Notes in definitive form*

If Physical Delivery is specified in the applicable Final Terms as applying in relation to any Note and the Notes are in definitive form, in order to obtain delivery of the Asset Amount(s) in respect of any Note, if such Note is in definitive form, the relevant Noteholder must deliver (i) if such Note is a Bearer Note, to any Paying Agent or (ii) if such Note is a Registered Note, to the Registrar or any Paying Agent, in each case with a copy to the Issuer, not later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice (as defined below).

Forms of the Asset Transfer Notice may be obtained during normal business hours from the specified office of the Registrar or any Paying Agent and this Note must be delivered together with the duly completed Asset Transfer Notice.

An Asset Transfer Notice must:

- (1) specify the name and address of the relevant Noteholder, the person from whom the Issuer may obtain details for the delivery of the Asset Amount and any details required for delivery of the Asset Amount set out in the applicable Final Terms;

- (2) include an undertaking to pay all Delivery Expenses;
- (3) specify an account to which any amount payable pursuant to Condition 10(n) (in the case of Credit Linked Notes) or any other cash amounts specified in the applicable Final Terms as being payable are to be paid; and
- (4) authorise the production of such notice in any applicable administrative or legal proceedings.

No Asset Transfer Notice may be withdrawn after receipt thereof by the Registrar or a Paying Agent, as the case may be, as provided above. After delivery of an Asset Transfer Notice, the relevant Noteholder may not transfer the Notes which are the subject of such notice.

Failure to properly complete and deliver an Asset Transfer 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 Conditions shall be made by the relevant Paying Agent or the Registrar, as the case may be, after consultation with the Issuer, and shall be conclusive and binding on the Issuer and the relevant Noteholder.

(c) *Delivery*

Delivery of the Asset Amount(s) in respect of each Note shall be made at the risk of the relevant Noteholder and, in the case of Notes in definitive form, in such commercially reasonable manner as the Calculation Agent shall determine and notify to the person designated by the Noteholder in the relevant Asset Transfer Notice or in such manner as is specified in the applicable Final Terms. All Delivery Expenses arising from the delivery of the Asset Amount(s) in respect of such Notes shall be for the account of the relevant Noteholder and no delivery of the Asset Amount(s) shall be made until all Delivery Expenses have been paid to the satisfaction of the Issuer by the relevant Noteholder.

After delivery of the Asset Amount(s) and for the Intervening Period, none of the Issuer, the Calculation Agent and any other person shall at any time (i) be under any obligation to deliver or procure delivery to any Noteholder any letter, certificate, notice, circular or any other document or, except as provided herein, payment whatsoever received by that person in respect of such securities or obligations, (ii) be under any obligation to exercise or procure exercise of any or all rights attaching to such securities or obligations or (iii) be under any liability to a Noteholder in respect of any loss or damage which such Noteholder may sustain or suffer as a result, whether directly or indirectly, of that person being registered during such Intervening Period as legal owner of such securities or obligations.

As used herein:

Asset Amount is as specified in the applicable Final Terms or, in the case of Credit Linked Notes, as defined in Condition 10(p).

Asset Transfer Notice means a duly completed asset transfer notice substantially in the form set out in the Agency Agreement.

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 Asset Amount.

Intervening Period means such period of time as any person other than the relevant Noteholder shall continue to be registered as the legal owner of any securities or other obligations comprising the Asset Amount.

10. Credit Linked Notes

If the Notes are specified as Credit Linked Notes in the applicable Final Terms, the provisions of this Condition 10 apply, as applicable, as modified by the applicable Final Terms.

The applicable Final Terms shall specify whether the Notes are Single Name Credit Linked Notes, First-to-Default Credit Linked Notes, N^{th} -to-Default Credit Linked Notes, Linear Basket Notes or any other type of Credit Linked Notes.

(a) *Redemption of Credit Linked Notes*

Unless (i) previously redeemed or purchased and cancelled, or (ii) the Conditions to Settlement have been satisfied and the related Event Determination Date has not been reversed on or prior to the Observation Cut-off Date, or (iii) Condition 10(j) applies, subject to Conditions 10(e) and 10(u), each Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Scheduled Maturity Date.

If the Conditions to Settlement are satisfied on or prior to the Observation Cut-Off Date, and the related Event Determination Date has not been reversed on or prior to the relevant Auction Final Price Determination Date, final Valuation Date, Physical Settlement Date or, if earlier, Delivery Date, as applicable, subject to Conditions 10(e), (i) and (j) then:

- (i) if Cash Settlement is specified as the Settlement Method in the applicable Final Terms (or if Cash Settlement is specified as the Fallback Settlement Method, or no Fallback Settlement Method is specified in the Final Terms, and Condition 10(d) requires that the Issuer redeem the Notes in accordance with Condition 10(b)), the provisions of Condition 10(b) shall apply, or
- (ii) if Physical Delivery is specified as the Settlement Method in the applicable Final Terms (or if Physical Settlement is specified as the Fallback Settlement Method and Condition 10(d) requires that the Issuer redeem the Notes in accordance with Condition 10(c)), the provisions of Condition 10(c) shall apply, or
- (iii) if Auction Settlement is specified as the Settlement Method in the applicable Final Terms, the provisions of Condition 10(d) shall apply.

(b) *Cash Settlement*

- (i) If (1) Cash Settlement is specified as the Settlement Method in the applicable Final Terms (or if Cash Settlement is specified as the Fallback Settlement Method, or no Fallback Settlement Method is specified in the Final Terms, and in each case Condition 10(d) requires that the Issuer redeem the Notes in accordance with this Condition 10(b)) and (2) the Conditions to Settlement are satisfied on or prior to the Observation Cut-Off Date, the Issuer shall give notice (such notice a **Cash Settlement Notice**) to the Noteholders as soon as reasonably practicable following the final Valuation Date in accordance with Condition 23 of the redemption of the Notes and the Credit Event Redemption Date, and provided that the related Event Determination Date has not been reversed on or prior to the final Valuation Date, subject to Conditions 10(e) and 10(u), on the Credit Event Redemption Date the Issuer shall redeem the Notes as follows:

- (A) if the Credit Event is not a Multiple Exercise Restructuring Credit Event and the Notes are not Linear Basket Notes, each Note in whole; or
- (B) if the Credit Event is not a Multiple Exercise Restructuring Credit Event and the Note is a Linear Basket Note, a percentage of the nominal amount of each Note equal to the Applicable Percentage determined by reference to the Reference Entity Nominal Amount of the Reference Entity in respect of which the Credit Event occurred; or
- (C) if the Credit Event is a Multiple Exercise Restructuring Credit Event, a portion of the nominal amount equal to the Applicable Percentage determined by reference to the Exercise Amount specified in the Credit Event Notice relating to the relevant Credit Event.

(ii) Each Note shall be redeemed by the Issuer by payment in respect of each nominal amount of the Notes equal to the Calculation Amount of the Credit Event Redemption Amount. Payment by the Issuer of the Credit Event Redemption Amount shall fully and effectively discharge the Issuer's obligation to redeem the Applicable Percentage of the relevant Note. For the avoidance of doubt, an Event Determination Date and satisfaction of the Conditions to Settlement may occur at any time on or prior to the Scheduled Maturity Date or the Observation Cut-Off Date, as applicable, notwithstanding that the Cash Settlement Notice may be given after satisfaction of the Conditions to Settlement, and in some cases significantly later. Unless the relevant Credit Event is a Multiple Exercise Restructuring Credit Event, the Note is a Linear Basket Note or if otherwise stated in the applicable Final Terms, the Conditions to Settlement may only be satisfied on one occasion and consequently an Event Determination Date may only occur and a Cash Settlement Notice may only be delivered on one occasion. In the case of First-to-Default Credit Linked Notes or Nth-to-Default Credit Linked Notes, if Conditions to Settlement are purported to be satisfied in respect of more than one Reference Entity on the same date, the Calculation Agent shall determine in its sole and absolute discretion which Reference Entity is the Reference Entity in respect of which the Conditions to Settlement are satisfied.

If the Conditions to Settlement are satisfied and the Notes become redeemable in accordance with this Condition 10(b), subject to Condition 10(u), upon payment of the Credit Event Redemption Amounts in respect of the Notes the Issuer shall have discharged its obligations in respect of the Applicable Percentage of the Notes and shall have no other liability or obligation whatsoever in respect of the Applicable Percentage of the Notes. The Credit Event Redemption Amount may be less than the nominal amount of the Notes equal to the Calculation Amount. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer.

(c) *Physical Settlement*

(i) If (1) Physical Delivery is specified as the Settlement Method in the applicable Final Terms (or if Physical Settlement is specified as the Fallback Settlement Method and Condition 10(d) requires that the Issuer redeem the Notes in accordance with this Condition 10(c)) and (2) the Conditions to Settlement are satisfied on or prior to the Observation Cut-Off Date, then the Issuer shall give notice (such notice a **Notice of Physical Settlement**) to the Noteholders in accordance with Condition 23 of the redemption of the Notes and the expected Physical Settlement Date determined by the Calculation Agent in its sole and absolute discretion, and provided that the related Event Determination Date has not been reversed on or prior to the final Valuation

Date, Physical Settlement Date or, if earlier, Delivery Date, as applicable, , the Issuer shall, subject to Conditions 10(e) and 10(u), redeem the Notes as follows:

- (A) if the Credit Event is not a Multiple Exercise Restructuring Credit Event and the Notes are not Linear Basket Notes, each Note in whole; or
- (B) if the Credit Event is not a Multiple Exercise Restructuring Credit Event and the Notes are Linear Basket Notes, a percentage of the nominal amount of each Note equal to the Applicable Percentage determined by reference to the Reference Entity Nominal Amount of the Reference Entity in respect of which the Credit Event occurred; or
- (C) if the Credit Event is a Multiple Exercise Restructuring Credit Event, a portion of the nominal amount of each Note equal to the Applicable Percentage determined by reference to the Exercise Amount specified in the Credit Event Notice relating to the relevant Credit Event.

(ii) Each Note shall be redeemed by the Issuer by Delivery in respect of each nominal amount of the Notes equal to the Calculation Amount of the Deliverable Obligations comprised in the Asset Amount, in accordance with and subject to Condition 9 and Conditions 10(m) and 10(n). Delivery by the Issuer of the Deliverable Obligations comprised in the Asset Amount and/or payment of the Partial Cash Settlement Amount in accordance with Condition 10(n), if applicable, shall fully and effectively discharge the Issuer's obligation to redeem the Applicable Percentage of the relevant Note. For the avoidance of doubt, an Event Determination Date and satisfaction of the Conditions to Settlement may occur at any time on or prior to the Scheduled Maturity Date or the Observation Cut-Off Date, as applicable, notwithstanding that the Notice of Physical Settlement may be given later, and in some cases significantly later.

(iii) Following delivery of a Notice of Physical Settlement, the Issuer may notify the Noteholders (each such notification, a **NOPS Amendment Notice**) that the Issuer 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 in accordance with Condition 23.

If the Conditions to Settlement are satisfied and the Notes become redeemable in accordance with this Condition 10(c) subject to Condition 10(u), upon Delivery of the Deliverable Obligations comprising the Asset Amount and/or payment of the Cash Settlement Amounts, as the case may be, the Issuer shall have discharged its obligations in respect of the Applicable Percentage of the Notes and shall have no other liability or obligation whatsoever in respect of the Applicable Percentage of the Notes. The aggregate value of such Deliverable Obligations and/or the Cash Settlement Amount may be less than the nominal amount of the Notes equal to the Calculation Amount. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer.

(d) *Auction Settlement*

(i) Subject to Conditions 10(e) and 10(j), if (i) Auction Settlement is specified as the Settlement Method in the applicable Final Terms, (ii) the Conditions to Settlement are satisfied on or prior to the Observation Cut-Off Date, and the related Event Determination Date has not been reversed on or prior to the Auction Final Price Determination Date, and (iii) an Auction Final Price Determination Date occurs with respect to an Applicable Auction, then the Issuer shall give an Auction Settlement Notice to the Noteholders as soon as reasonably practicable following the Auction

Final Price Determination Date in accordance with Condition 23 and, subject to Conditions 10(e) and 10(t), on the Auction Credit Event Redemption Date redeem the Notes as follows:

- (A) if the Credit Event is not a Multiple Exercise Restructuring Credit Event and/or the Notes are not Linear Basket Notes, each Note in whole; or
- (B) if the Credit Event is not a Multiple Exercise Restructuring Credit Event and the Notes are Linear Basket Notes, a portion of the nominal amount of each Note equal to the Applicable Percentage determined by reference to the Reference Entity Nominal Amount of the Reference Entity in respect of which the Credit Event occurred; or
- (C) if the Credit Event is a Multiple Exercise Restructuring Credit Event, a portion of the nominal amount of each Note equal to the Applicable Percentage determined by reference to the Exercise Amount specified in the Credit Event Notice relating to the relevant Credit Event.

- (ii) Each Note shall be redeemed by the Issuer by payment in respect of each nominal amount of the Notes equal to the Calculation Amount of the Auction Credit Event Redemption Amount. Payment by the Issuer of the Auction Credit Event Redemption Amount shall fully and effectively discharge the Issuer's obligation to redeem the Applicable Percentage of the relevant Note.
- (iii) Without prejudice to the foregoing, but without duplication of settlement, if the Calculation Agent determines:

- (A) except where the Issuer exercises the 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 Request, 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 (ii) of the definition of No Auction Announcement Date, the Issuer has not exercised the Movement Option), (III) ISDA has publicly announced that a relevant Credit Derivatives Determinations Committee has Resolved, following a relevant Credit Event Resolution Request Date, not to determine the matters described in the definition of Credit Event Resolution Request Date, or (IV) an Event Determination Date was determined pursuant to sub-paragraph (i) of the definition of Event Determination Date and no relevant Credit Event Resolution Request Date has occurred on or prior to the date falling three Business Days after such Event Determination Date; or
- (C) that the Event Determination Date was determined pursuant to sub-paragraph (ii)(B)(II) of the definition of Event Determination Date and the Issuer elects to apply the Fallback Settlement Method,

the Issuer shall, subject to the occurrence of a Credit Event and satisfaction of the Conditions to Settlement, notwithstanding that Auction Settlement is specified as applicable in the relevant Final Terms, redeem each Note in accordance with Condition 10(b) if either "Cash Settlement" is specified in the applicable Final Terms as the Fallback Settlement Method or if no Fallback Settlement Method is specified in the Final Terms, or in accordance with Condition 10(c) if "Physical Settlement" is specified in the applicable Final Terms as the Fallback Settlement Method.

- (iv) If “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final 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 (ii) of the definition of No Auction Announcement Date, the Issuer may elect in its sole and absolute discretion to exercise the Movement Option. If the Movement Option is exercised by the Issuer, then provided the related Event Determination Date is not reversed on or prior to the relevant Auction Final Price Determination Date, the Notes shall be redeemed on the Auction Credit Event Redemption Date at their Auction Credit Event Redemption Amount, for which purposes the Auction Credit Event Redemption Date and the Auction Credit Event Redemption Amount shall be determined by reference to the relevant Parallel Auction selected by the Issuer on exercising the Movement Option. If the Movement Option is exercised by the Issuer, all references in this Condition 10 to “Applicable Auction”, “Applicable Auction Settlement Terms”, “Auction Cancellation Date”, “Auction Final Price Determination Date” and “Auction Settlement Date” shall be deemed to be references to the “Parallel Auction”, “Parallel Auction Settlement Terms”, “Parallel Auction Cancellation Date”, “Parallel Auction Final Price Determination Date” and “Parallel Auction Settlement Date” and the terms of this Condition 10 shall be construed accordingly. If the Movement Option is not exercised, the Issuer shall redeem each Note in accordance with Condition 10(b) if Cash Settlement is specified in the applicable Final Terms as the Fallback Settlement Method, or if no Fallback Settlement Method is specified in the Final Terms, or in accordance with Condition 10(c) if Physical Settlement is specified in the applicable Final Terms as the Fallback Settlement Method.
- (v) For the avoidance of doubt, an Event Determination Date and satisfaction of the Conditions to Settlement may occur at any time on or prior to the Observation Cut-Off Date, as applicable, notwithstanding that the Auction Settlement Notice may be given later, and in some cases significantly later. Unless the relevant Credit Event is a Multiple Exercise Restructuring Credit Event, the Note is a Linear Basket Note or if otherwise stated in the applicable Final Terms, the Conditions to Settlement may only be satisfied on one occasion and consequently an Event Determination Date may only occur and an Auction Settlement Notice may only be delivered on one occasion. In the case of First-to-Default Credit Linked Notes or Nth-to-Default Credit Linked Notes, if the Conditions to Settlement are purported to be satisfied in respect of more than one Reference Entity on the same date, the Calculation Agent shall determine in its sole and absolute discretion which Reference Entity is the Reference Entity in respect of which the Conditions to Settlement are satisfied.

If the Conditions to Settlement are satisfied and the Notes become redeemable in accordance with this Condition 10(d), subject to Condition 10(u), upon payment of the Auction Credit Event Redemption Amounts in respect of the Applicable Percentage of the Notes the Issuer shall have discharged its obligations in respect of the Applicable Percentage of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The Auction Credit Event Redemption Amount may be less than the nominal amount of the Notes equal to the Calculation Amount. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer.

(e) *Redemption Suspension*

If, following the determination of an Event Determination Date in accordance with sub-paragraph (i) of the definition of Event Determination Date but prior to the Physical Settlement Date, a Delivery Date or, to the extent applicable, a final Valuation Date, the

Calculation Agent determines that a Suspension Event has occurred the timing requirements of Conditions 9 and 10 relating to Physical Settlement Dates, Delivery Dates, the Physical Settlement Period, Valuation Dates, Credit Event Redemption Date(s), as applicable, or any other provision that pertains to redemption and settlement of the Notes, shall toll and remain suspended until the Suspension Event Cessation Date. During such suspension period, the Issuer is not obliged to take any action in connection with the redemption and settlement of the Notes. The relevant timing requirements and redemption and settlement provisions, as applicable, that have previously tolled or been suspended shall resume on the Business Day following the relevant Suspension Event Cessation Date with the benefit of the full day notwithstanding when the tolling or suspension began in accordance with this Condition 10(e). Without prejudice to any amounts payable pursuant to Condition 10(i), no additional amounts shall be payable by the Issuer in connection with any such suspension.

(f) *Accrual of Interest and Interest Payment Postponement*

(i) If Condition 10(b), Condition 10(c) or Condition 10(d) applies in respect of the Notes, subject to Condition 10(j), and

(A) **Accrual of Interest upon Credit Event** is specified as not applying in the applicable Final Terms, each Note shall cease to bear interest from the Interest Payment Date (or, if none, the Interest Commencement Date) immediately preceding the Event Determination Date, or if the Event Determination Date is an Interest Payment Date (or, as the case may be, the Interest Commencement Date) such Interest Payment Date (or, as the case may be, the Interest Commencement Date); or

(B) **Accrual of Interest upon Credit Event** is specified as applying in the applicable Final Terms, each Note shall cease to bear interest from the Event Determination Date and the final payment of interest shall be payable on the Credit Event Redemption Date, Auction Credit Event Redemption Date or Physical Settlement Date or Partial Cash Settlement Date, as applicable and no further interest shall be payable in respect of such delay; and

Provided Further That if

(A) the Notes are redeemed pursuant to Condition 10(g), Condition 10(h) or Condition 10(i); or

(B) Condition 10(j) applies pursuant to an adjustment to, or reversal of, an Event Determination Date,

then interest will accrue as provided in Condition 10(g), Condition 10(h), Condition 10(i) or Condition 10(j), as the case may be.

(ii) If, an Applicable Request in respect of a Credit Event is made on or prior to any Interest Payment Date or the Scheduled Maturity Date in respect of which an Applicable Resolution has not been published, the payment of interest (if any) scheduled to be paid to Noteholders on or about such Interest Payment Date or the Scheduled Maturity Date, will be suspended. If in connection with such Applicable Request 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 the Scheduled Maturity Date, or (ii) an Applicable DC No Credit Event Announcement is made, payment of the suspended interest for such Interest Payment Date or Scheduled Maturity Date, as applicable, will be made two Business Days after the date the Event Determination Date is so determined or the date of Applicable DC No Credit Event Announcement,

as applicable. If in connection with such Applicable Request, 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 or the Scheduled Maturity Date, no payment of the suspended interest will be made and interest accrual prior to such Event Determination Date will be determined in accordance with sub-paragraph (i) above.

(iii) 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 sub-paragraph (ii) above. For the avoidance of doubt, no interest shall accrue on any Note after the Scheduled Maturity Date as a result of a suspension of interest pursuant to this Condition 10(f) (unless Condition 3(d) applies and upon due presentation of a Note for redemption payment of principal is improperly withheld or refused by the Issuer). The Issuer shall endeavour to give notice to the Noteholders in accordance with Condition 23 as soon as reasonably practicable should any payment of interest be suspended and/or postponed pursuant to this Condition 10(f).

(g) *Repudiation/Moratorium Extension*

(i) Where Repudiation/Moratorium is specified as a Credit Event in the applicable Final Terms, the provisions of this Condition 10(g) shall apply.

(ii) Where the Conditions to Settlement have not been satisfied on or prior to the Scheduled Maturity Date but the Repudiation/Moratorium Extension Condition has been satisfied in respect of a Potential Repudiation/Moratorium which occurred with respect to an Obligation of a relevant Reference Entity on or prior to the Scheduled Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) or, Condition 10(i) applies, and the Repudiation/Moratorium Evaluation Date in respect of such Potential Repudiation/Moratorium may or will, in the sole determination of the Calculation Agent, fall after the Scheduled Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), then the Calculation Agent may deliver a Repudiation/Moratorium Extension Notice to the Noteholders in accordance with Condition 23. If the Repudiation/Moratorium Extension Condition is satisfied and an Event Determination Date does not occur on or prior to the final day of the Notice Delivery Period:

(A) subject to Condition 10(u) and provided that there are no other Maturity Date Extension Events outstanding as at the Repudiation/Moratorium Evaluation Date, each Note will be redeemed by the Issuer at the Final Redemption Amount on the fifth Business Day following the Repudiation/Moratorium Evaluation Date; and

(B) in the case of interest bearing Notes only, the Issuer shall be obliged (x) to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date and (y) to pay an Additional Interest Amount in respect of each nominal amount of the Notes equal to the Calculation Amount and the Additional Amount Period ending on (but excluding) the Repudiation/Moratorium Evaluation Date, but, in each case, shall only be obliged to make such payments of interest on the fifth Business Day following the

Repudiation/Moratorium Evaluation Date and no further or other amount in respect of interest shall be payable.

(h) *Grace Period Extension*

(i) If “Grace Period Extension” is specified as applying in the applicable Final Terms, the provisions of this Condition 10(h) shall apply.

(ii) Where the Conditions to Settlement have not been satisfied on or prior to the Scheduled Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) but a Potential Failure to Pay has occurred or may, in the sole determination of the Calculation Agent, have occurred with respect to one or more Obligation(s) in respect of which a Grace Period is applicable on or prior to the Scheduled Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) (and such Grace Period(s) is/are continuing as at the Scheduled Maturity Date), then:

(A) where an Event Determination Date in respect of the Failure to Pay does not occur on or prior to the last day of the Notice Delivery Period:

(I) subject to Condition 10(u) and provided that there are no other Maturity Date Extension Events outstanding as at the Grace Period Extension Date, each Note will be redeemed by the Issuer at the Final Redemption Amount on the Grace Period Extension Date; and

(II) in the case of interest bearing Notes, the Issuer shall be obliged (x) to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date and (y) to pay an Additional Interest Amount in respect of each nominal amount of the Notes equal to the Calculation Amount and the Additional Amount Period ending on (but excluding) the Grace Period Extension Date, but, in each case, shall only be obliged to make such payment of interest on the Grace Period Extension Date and no further or other amount in respect of interest shall be payable; or

(B) where a Failure to Pay has occurred on or prior to the last day of the Notice Delivery Period, the provisions of Condition 10(b), Condition 10(c) or Condition 10(d), as applicable, shall apply to the Notes.

(i) *Maturity Date Extension*

(i) If on the Scheduled Maturity Date the Calculation Agent determines that on or prior to such date:

- (A) a Potential Repudiation/Moratorium may have occurred;
- (B) a Potential Failure to Pay may have occurred;
- (C) an Applicable Request has been made on or prior to such date in respect of which an Applicable Resolution has not been published; or
- (D) without duplication, in the opinion of the Calculation Agent, a Credit Event may have occurred in relation to which the Conditions to Settlement have not been satisfied (such Credit Event, a **Postponement Credit Event**), and

in each case, in respect of which an Event Determination Date has not occurred as at the Scheduled Maturity Date (each such event a **Maturity Date Extension Event**), the Calculation Agent shall notify the Noteholders in accordance with Condition 23 that the Notes will not be redeemed on the Scheduled Maturity Date. In such circumstances, the Notes will be redeemed as follows:

- (I) with respect to a Potential Repudiation/Moratorium, in accordance with Condition 10(g), unless an Event Determination Date occurs on or prior to the last day of the Notice Delivery Period and is not reversed pursuant to Condition 10(j), in which case the Notes shall be redeemed pursuant to Condition 10(b), 11(c) or 11(d), as applicable;
- (II) with respect to a Potential Failure to Pay, in accordance with Condition 10(h), unless an Event Determination Date occurs on or prior to the last day of the Notice Delivery Period and is not reversed pursuant to Condition 10(j), in which case the Notes shall be redeemed pursuant to Condition 10(b), 11(c) or 11(d), as applicable; or
- (III) with respect to an Applicable Request or a Postponement Credit Event, if an Event Determination Date occurs on or prior to the Observation Cut-Off Date and is not reversed pursuant to Condition 10(j), in accordance with Condition 10(b), 11(c) or 11(d), as applicable; or
- (IV) with respect to an Applicable Request or a Postponement Credit Event, if an Event Determination Date does not occur on or prior to the Observation Cut-Off Date or an Event Determination Date is reversed pursuant to Condition 10(j), subject to Condition 10(u) and provided that there are no other Maturity Date Extension Events outstanding as at the Observation Cut-Off Date, each Note will be redeemed by the Issuer at its Final Redemption Amount on the second Business Day following the Observation Cut-Off Date (the **Postponed Maturity Date**) and in the case of interest bearing Notes only the Issuer shall, without duplication and without prejudice to Condition 10(i), be obliged (x) to pay interest calculated as provided herein accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date and (y) to pay an Additional Interest Amount in respect of each nominal amount of the Notes equal to the Calculation Amount and the Additional Amount Period ending on (but excluding) the Postponed Maturity Date, but, in each case, shall only be obliged to make such payment of interest on the Postponed Maturity Date and no further or other amount in respect of interest shall be payable.

- (ii) A Maturity Date Extension Event will be deemed to be outstanding on any date, if the period specified in (I), (II), (III) or (IV) in respect of the relevant Maturity Date Extension Event in which an Event Determination Date may occur has not expired as at such date.

(j) *Reversals of DC Resolutions and adjustments to Event Determination Dates*

(i) Notwithstanding anything to the contrary herein, no Event Determination Date will occur, 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 the Calculation Agent determines that, prior to the Auction Final Price Determination Date in respect of an Applicable Auction, a Valuation Date, the Physical Settlement Date or, if earlier, a Delivery Date, as applicable, an Applicable DC No Credit Event Announcement occurs with respect to the relevant Reference Entity or Obligation thereof.

(ii) Notwithstanding anything to the contrary herein, no Succession Event will occur, and any Succession Event previously determined with respect to a Reference Entity shall be deemed not to have occurred, if, or to the extent that ISDA publicly announces that a previous Succession Event Resolution has been reversed by a subsequent DC Resolution of the relevant Credit Derivatives Determination Committee, unless the prior Succession Event Resolution or any prior determination by the Calculation Agent has resulted in the identification of one or more Successors or the identification of one or more Substitute Reference Obligations.

(iii) Notwithstanding anything to the contrary in these Conditions, following the determination of an Event Determination Date, if, in accordance with the Condition 10(i)(i):

(A) such Event Determination Date is deemed to have occurred on a date that is earlier than the date originally determined to be the Event Determination Date for the purposes of the Notes as a result of the application of the definition of Event Determination Date and/or any Applicable Request or Applicable Resolution then

(I) if the Notes are redeemed pursuant to Condition 10(b) or 11(d), an amount equal to the relevant EDD Adjustment Amount (if any) shall be deducted to the fullest extent possible from the Credit Event Redemption Amount or Auction Credit Event Redemption Amount, as applicable; or

(II) if the Notes are redeemed pursuant to Condition 10(c), Deliverable Obligations (rounded up to the nearest whole number or denomination or other minimum amount in which the relevant Deliverable Obligations may be Delivered) with an Outstanding Principal Balance or Due and Payable Amount (rounded up to the nearest whole number or denomination or other minimum amount in which the relevant Deliverable Obligations may be Delivered), as applicable, equal to (or, where rounding upwards applies, greater than) the relevant EDD Adjustment Amount (if any) as of the relevant Delivery Date, as determined by the Calculation Agent in its sole and absolute discretion, shall be deducted to the fullest extent possible from the Asset Amount (or deducted from the Partial Cash Settlement Amount payable pursuant to Condition 10(n), if applicable). If the Outstanding Principal Balance or Due and Payable Amount or Deliverable Obligations so deducted is, due to rounding, greater than the relevant EDD Adjustment Amount, the Issuer shall pay an amount determined by the Calculation Agent in its sole and absolute discretion to Noteholders as soon as reasonably practicable in respect of the excess portion of such Deliverable Obligations; or

(B) If an Applicable DC No Credit Event Announcement occurs following the determination of an Event Determination Date but prior to the related Auction Final Price Determination Date in respect of an Applicable Auction, a Valuation Date, the Physical Settlement Date (or, if earlier, a Delivery Date), or the Observation Cut-off

Date, as applicable, then the Event Determination Date originally determined for the purposes of the Notes shall be deemed not to have occurred (an **Event Determination Date Reversal**). The occurrence of an Event Determination Date Reversal shall not prejudice the occurrence or determination of any subsequent Event Determination Date(s) in relation to the relevant Reference Entity (if applicable). Notwithstanding Condition 3(d) and Condition 10(f), each Note shall recommence to accrue interest (in accordance with Condition 3) from the Interest Payment Date (the **Interest Recommencement Date**) immediately following the Applicable DC No Credit Event Announcement, and an amount equal to the Additional EDD Interest Amount shall be payable on such Interest Recommencement Date. For the avoidance of doubt, in no circumstances shall interest accrue on any Note on or after the Scheduled Maturity Date (unless Condition 3(d) applies and upon due presentation of a Note for redemption payment of principal is improperly withheld or refused by the Issuer).

(k) *Succession Event*

- (i) With respect to any Reference Entity (other than a Sovereign Reference Entity), the Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than fourteen calendar days after the legally effective date of the relevant Succession Event), and with effect from the legally effective date of the Succession Event, whether the relevant thresholds set forth in the definition of “Successor” have been met, or which entity qualifies under paragraph (a)(vi) of the definition of “Successor”, as applicable, provided that the Calculation Agent will not make such determination if, at such time, either (A) ISDA has publicly announced that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in the definitions of “Successor”, in sub-paragraph (i) of the definition of “Succession Event Resolution Request Date” and sub-paragraph (ii)(A) of the definition of “Succession Event Resolution Request Date”, are satisfied in accordance with the Rules (until such time, if any, as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine a Successor) or (B) ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that no event that constitutes a Succession Event for purposes of the certain credit derivative transactions has occurred, and in each case the Calculation Agent determines that such resolution is an Applicable Resolution. In calculating the percentages used to determine whether the relevant thresholds set forth in the definition of “Successor” have been met, or which entity qualifies under sub-paragraph (a)(vi) of such definition, the Calculation Agent shall use, with respect to each applicable Relevant Obligation included in such calculation, the amount of the liability with respect to such Relevant Obligation listed in the Best Available Information and shall notify the Issuer of such calculation. A copy of the notice of any determination of a Successor shall be given to Noteholders in accordance with Condition 23, provided that failure to deliver such notice shall not invalidate the occurrence of the Succession Event.
- (ii) With respect to any Sovereign Reference Entity, the Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than fourteen calendar days after the date of the occurrence of the relevant Succession Event), and with effect from the date of the occurrence of the Succession Event, each Sovereign and/or entity, if any, that qualifies under sub-paragraph (b) of the definition of “Successor”; provided that the Calculation Agent will not make such determination if, at such time, either (A) ISDA has publicly announced that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraph (b) of

the definition of “Successor” and sub-paragraphs (i) and (ii)(A) of the definition of “Succession Event Resolution Request Date” are satisfied in accordance with the Rules (until such time, if any, as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine a Successor) or (B) ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that no event that constitutes a Succession Event has occurred, and in each case the Calculation Agent determines that such Resolution is an Applicable Resolution. A copy of the notice of any determination of a Successor shall be given to Noteholders in accordance with Condition 23, provided that failure to deliver such notice shall not invalidate the occurrence of the Succession Event.

(iii) Where the Notes are Single Name Credit Linked Notes:

(A) Where a Succession Event has occurred and more than one Successor has been identified in accordance with these Conditions, each such Successor will be deemed to be a Reference Entity for purposes of the Notes and, to the extent applicable, the Calculation Agent shall apportion any outstanding principal amounts or any other relevant calculation amounts equally in relation to each Successor.

(B) If one or more of the Successors to the Reference Entity have not assumed the Reference Obligation (if any) specified in the applicable Final Terms, the Calculation Agent may select a Substitute Reference Obligation in accordance with the definition of “Substitute Reference Obligation”.

(C) Where a Credit Event occurs in respect of a Reference Entity after such a Succession Event:

- (1) the provisions of this Condition 10 shall be deemed to apply to the aggregate nominal amount of the Notes represented by that Reference Entity only (the **Partial Principal Amount**) and all the provisions shall be construed accordingly;
- (2) following satisfaction of the Conditions to Settlement, the Notes shall be deemed to be redeemed pro rata in an amount equal to the Partial Principal Amount only;
- (3) the Notes in an amount equal to the Aggregate Nominal Amount less the Partial Principal Amount shall remain outstanding (the **Remaining Amount**) and interest (if applicable) shall accrue on the Remaining Amount as provided for in the Conditions and the applicable Final Terms (adjusted in such manner as the Calculation Agent determines to be appropriate);
- (4) the provisions of these Conditions shall apply to any subsequent Credit Event Notices delivered in respect of any of the other Reference Entities that are identified as a result of the Succession Event; and
- (5) the applicable Final Terms may be amended and restated at such time to reflect the effect of a Succession Event without the consent of the Noteholders and the Noteholders are deemed to agree to this provision by the purchase of the Notes.

(iv) Where the Notes are Linear Basket Notes:

(A) Where a Succession Event has occurred in respect of a Reference Entity (each such Reference Entity, a **Succession Event Reference Entity** and the

Reference Entities unaffected by such Succession Event or any previous Succession Event, the **Non-Succession Event Reference Entities**) and more than one Successor has been identified by the Calculation Agent, each such Successor will be deemed to be a Reference Entity for the purposes of the Notes (in such respect, each a **Successor Reference Entity**). The Reference Entity Nominal Amount for each Successor Reference Entity shall be equal to the Reference Entity Nominal Amount of the original Reference Entity divided by the number of Successors, provided that where the Successor Reference Entity is also a Reference Entity, the Reference Entity Notional Amount of such Successor Reference Entity determined as aforesaid shall be added to the subsisting Reference Entity Nominal Amount of such Reference Entity, subject to Condition 10(k)(ix).

(B) Following the occurrence of a Credit Event and satisfaction of the Conditions to Settlement with respect to any Reference Entity, either a Non-Succession Event Reference Entity or a Successor Reference Entity, the Applicable Percentage of the Notes shall be redeemed in accordance with the provisions of these Conditions.

(v) Where the Notes are First-to-Default Credit Linked Notes:

(A) Where a Succession Event has occurred in respect of a Reference Entity (each such Reference Entity, a **Succession Event Reference Entity** and the Reference Entities unaffected by such Succession Event or any previous Succession Event, the **Non-Succession Event Reference Entities**) and more than one Successor has been identified by the Calculation Agent, each Note will subsequently reference a number of Baskets (each a **New Basket**) equal to the number of Successors, and each Successor will be a Reference Entity for the purposes of one of the New Baskets and each of the original Reference Entities prior to the Succession Event, other than the Succession Event Reference Entity, shall be a Reference Entity for the purposes of each and every one of the New Baskets. The Aggregate Nominal Amount of the Notes shall be apportioned equally between each New Basket (each portion a **New Basket Nominal Amount**). Thereafter, the occurrence of the first Credit Event will be assessed separately for each New Basket and only the occurrence of a Credit Event and satisfaction of the Conditions to Settlement in respect of a Reference Entity in a New Basket will cause the Notes to be redeemed in part in a proportion which the New Basket Nominal Amount bears to the Aggregate Nominal Amount of the Notes as of the Issue Date (the **New Basket Relevant Proportion**).

(B) Consequently, where all Non-Succession Event Reference Entities and all Successor Reference Entities are considered together:

- (1) the occurrence of a Credit Event and satisfaction of the Conditions to Settlement in respect of a Non-Succession Event Reference Entity will be a Credit Event for the purposes of each and every New Basket and each and every New Basket Nominal Amount of the Notes and will cause the Notes to be redeemed in full in accordance with this Condition 10; and
- (2) the occurrence of a Credit Event and satisfaction of the Conditions to Settlement in respect of a Successor Reference Entity will be a Credit Event only in respect of the New Basket for which the relevant Successor Reference Entity is a Reference Entity and will cause the New Basket Relevant Proportion of the Notes to be redeemed in accordance with this Condition 10.

(C) Following a partial redemption of the Notes pursuant to this sub-paragraph (v), interest shall accrue on the remaining outstanding nominal amount of the Notes immediately following the partial redemption (the **New Basket Outstanding**

Principal Amount) as provided for in these conditions (adjusted in such manner as the Calculation Agent in its sole and absolute discretion determines to be appropriate) and the Calculation Agent shall continue to assess the occurrence of a Credit Event and satisfaction of the Conditions to Settlement in respect of any Reference Entity for the purposes of the remaining New Baskets and the New Basket Outstanding Principal Amount in accordance with this Condition 10(k)(v).

(vi) Where the Notes are N^{th} -to-Default Credit Linked Notes:

(A) Where a Succession Event has occurred in respect of a Reference Entity (each such Reference Entity, a **Succession Event Reference Entity** and the Reference Entities unaffected by such Succession Event or any previous Succession Event, the **Non-Succession Event Reference Entities**) and more than one Successor has been identified by the Calculation Agent, each Note will subsequently reference a number of Baskets (each a **New Basket**) equal to the number of Successors, and each Successor will be a Reference Entity for the purposes of one of the New Baskets and each of the original Reference Entities prior to the Succession Event, other than the Succession Event Reference Entity, shall be a Reference Entity for the purposes of each and every one of the New Baskets. The Aggregate Nominal Amount of the Notes shall be apportioned equally between each New Basket (each portion a **New Basket Nominal Amount**). Thereafter, the occurrence of a Credit Event in respect of the N^{th} Reference Entity will be assessed separately for each New Basket and only the occurrence of a Credit Event and satisfaction of the Conditions to Settlement in respect of the N^{th} Reference Entity in a New Basket will cause the Notes to be redeemed in part in a proportion which the New Basket Nominal Amount for the relevant New Basket bears to the Aggregate Nominal Amount of the Notes as of the Issue Date (the **New Basket Relevant Proportion**).

(B) Consequently, where all Non-Succession Reference Entities and all Successor Reference Entities are considered together:

- (1) the occurrence of a Credit Event and satisfaction of the Conditions to Settlement in respect of the N^{th} Reference Entity, where such N^{th} Reference Entity and each previous Reference Entity in respect of which the Conditions to Settlement have been satisfied are Non-Succession Event Reference Entities, will be the N^{th} Credit Event for the purposes of each and every New Basket and each and every New Basket Nominal Amount of the Notes and will cause the Notes to be redeemed in full in accordance with this Condition 10;
- (2) the occurrence of a Credit Event and satisfaction of the Conditions to Settlement in respect of the N^{th} Reference Entity, where either such N^{th} Reference Entity or one previous Reference Entity in respect of which the Conditions to Settlement have been satisfied is a Successor Reference Entity, will be the N^{th} Credit Event only in respect of the New Basket in respect of which the relevant Successor Reference Entity is a Reference Entity. Thereafter the New Basket Relevant Proportion of each Note shall be redeemed in accordance with this Condition 10; and
- (3) the occurrence of a Credit Event and satisfaction of the Conditions to Settlement in respect of the N^{th} Reference Entity where either such N^{th} Reference Entity and one or more previous Reference Entity in respect of which the Conditions to Settlement have been satisfied are Successor Reference Entities or such N^{th} Reference Entity is a Non-Succession Reference Entity but two or more previous Reference Entities in respect of which the Conditions to Settlement have been satisfied are Successor Reference Entities, will not be the

N^{th} Credit Event in respect of any of the New Baskets and will not cause the Notes to be redeemed either in part or in whole.

(C) Following a partial redemption of the Notes pursuant to this sub-paragraph (vi), interest shall accrue on the remaining outstanding nominal amount of the Notes immediately following the partial redemption (the **New Basket Outstanding Principal Amount**) as provided for in these conditions (adjusted in such manner as the Calculation Agent in its sole and absolute discretion determines to be appropriate) and the Calculation Agent shall continue to assess the occurrence of a Credit Event and satisfaction of the Conditions to Settlement in respect of the N^{th} Reference Entity for the purposes of the remaining New Baskets and the New Basket Outstanding Principal Amount in accordance with this Condition 10(k)(vi).

(vii) The provisions of these Conditions shall apply to any subsequent Succession Events. For the avoidance of doubt, the provisions of this Condition 10(k)(iii), (iv), (v) and (vi) shall apply to each Succession Event, provided that the Calculation Agent may make any adjustments to the Reference Entities and/or Baskets (including any New Baskets) as it determines, in its sole discretion, are necessary to reflect the occurrence of a Succession Event.

(viii) Where the effect of the foregoing provisions would be to specify a Reference Entity more than once with respect to the Notes or, in the case of Condition 10(k)(v) and (vi) above, a New Basket, that Reference Entity shall be deemed to be specified only once.

(ix) Save as otherwise provided in the applicable Final Terms, where any Reference Entity (the **Surviving Reference Entity**) (other than a Reference Entity that is subject to a Succession Event) would be a Successor to any other Reference Entity (the **Legacy Reference Entity**) pursuant to a Succession Event through the application of the foregoing provisions, (I) if Fixed Number of Reference Entities is not specified as applicable in the applicable Final Terms, such Surviving Reference Entity shall be deemed a Successor to the Legacy Reference Entity or (II) if Fixed Number of Reference Entities is specified as applicable in the applicable Final Terms, such Surviving Reference Entity shall be deemed not to be a Successor to the Legacy Reference Entity and the Calculation Agent shall select an additional entity to constitute a Reference Entity in replacement of the Legacy Reference Entity, and, in respect of Linear Basket Notes, in respect of the Reference Entity Nominal Amount relating to such Legacy Reference Entity (such entity an **Additional Reference Entity**) such that the number of Reference Entities in respect of the Notes, or in respect of each New Basket, prior to the Succession Event is equal to the number of Reference Entities following the Succession Event, provided that if, in respect of any First-to-Default Notes or N^{th} -to-Default Notes the Legacy Reference Entity is a Reference Entity in respect of more than one New Basket, the Calculation Agent shall select an Additional Reference Entity to replace such Legacy Reference Entity in each New Basket, each of which Additional Reference Entities may be different entities. Each Additional Reference Entity shall be of the same Transaction Type (as defined in the 2005 Matrix Supplement) with a comparable credit rating as the Surviving Reference Entity, and shall be principally traded in the credit derivatives market in respect of the same Geographical Region as the relevant Surviving Reference Entity, where “Geographical Region” means such region determined in good faith by the Calculation Agent to give best effect to then current market practice in respect of the Surviving Reference Entity, as determined by the Calculation Agent in its sole and absolute discretion. Any such Additional Reference Entity will be deemed to be a Reference Entity for the purposes of the Notes and all references in

these Credit Linked Conditions to a “Reference Entity” or “Reference Entities” shall be construed accordingly.

If one or more Additional Reference Entities are selected, the Calculation Agent may select a Substitute Reference Obligation in respect of each such Additional Reference Entity in accordance with the definition of “Substitute Reference Obligation”.

- (x) Unless “Merger Event not Applicable” is specified in the applicable Final Terms, in the event that (x) the Issuer becomes a Successor to any Reference Entity as a result of the application of the foregoing provisions, (y) the Issuer and any Reference Entity become Affiliates or (z) the Issuer or a Reference Entity consolidates or amalgamates with, or merges into, or transfers all or substantially all its assets to, a Reference Entity or the Issuer (as applicable) (each a **Merger Event**), then the Issuer may, but shall not be obliged to, on giving not more than 30 nor less than 15 days’ notice to Noteholders (the **Merger Event Notice**), redeem all but not some of the Notes at the Early Redemption Amount specified in the Merger Event Notice.
- (xi) The applicable Final Terms may be amended and restated at such time to reflect the effect of a Succession Event without the consent of the Noteholders and the Noteholders are deemed to agree to this provision by the purchase of the Notes.

(l) *Restructuring Credit Event*

- (i) If (A) Restructuring is specified in the applicable Final Terms as being an applicable Credit Event; (B) either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms and (C) a Restructuring Credit Event occurs, then (unless otherwise specified in the applicable Final Terms), the Issuer may deliver multiple Credit Event Notices with respect to such Restructuring, each such Credit Event Notice setting forth the amount of the Aggregate Nominal Amount of the Notes or, if the Notes are Linear Basket Notes, of the Reference Entity Nominal Amount in respect of the relevant Reference Entity, as applicable, to which the Credit Event Notice relates (the **Exercise Amount**). If the relevant Credit Event Notice does not specify an Exercise Amount, then the Aggregate Nominal Amount of the Notes outstanding immediately prior to the delivery of such Credit Event Notice or, if the Notes are Linear Basket Notes, the Reference Entity Nominal Amount outstanding in respect of the relevant Reference Entity immediately prior to the delivery of such Credit Event Notice will be deemed to have been specified as the Exercise Amount. Accordingly, notwithstanding anything to the contrary in these Conditions, where a Restructuring has occurred and the Issuer has delivered a Credit Event Notice for an Exercise Amount that is less than the Aggregate Nominal Amount of the Notes outstanding or the Reference Entity Nominal Amount outstanding in respect of the relevant 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 Conditions shall be deemed to apply to a nominal amount of the Notes equal to the Exercise Amount only and all the provisions shall be construed accordingly. Each such Note shall be redeemed in part (such redeemed part being equal to the relevant proportion of the Exercise Amount).
- (ii) The Exercise Amount in connection with a Credit Event Notice describing a Restructuring Credit Event must be an amount that is at least 1,000,000 units of the currency (or, if Japanese Yen, 100,000,000 units) in which the Notes are denominated or any integral multiple thereof or the entire outstanding nominal amount of the Notes

or the Reference Entity Nominal Amount outstanding in respect of the relevant Reference Entity, as applicable, at such time.

- (iii) The Notes shall be deemed to be redeemed pro rata in an amount equal to the Exercise Amount only. The Notes in an amount equal to, (1) in respect of Notes which are not Linear Basket Notes, the Aggregate Nominal Amount less the Exercise Amount, and, (2) in respect of Linear Basket Notes, the Aggregate Nominal Amount less (x) the sum of the Reference Entity Nominal Amounts in respect of all Reference Entities in respect of which previous Credit Events (not including the Restructuring in question) have occurred and the relevant Settlement Date for such Credit Event has occurred, and less (y) the Exercise Amount, shall remain outstanding (the **Outstanding Amount**) and interest (if applicable) shall accrue on the Outstanding Amount as provided for in these Conditions and the applicable Final Terms (adjusted in such manner as the Calculation Agent determines to be appropriate).
- (iv) In respect of any subsequent Credit Event Notices delivered the Exercise Amount in connection with a Credit Event Notice describing a Credit Event other than a Multiple Exercise Restructuring Credit Event must be equal to the outstanding nominal amount of the Notes or the Reference Entity Nominal Amount outstanding in respect of the relevant Reference Entity, as applicable, at such time (and not a portion thereof); and
- (v) For the avoidance of doubt, (i) in the case of a First-to-Default Credit Linked Note, once a Multiple Exercise Restructuring Credit Event has occurred in respect of a Reference Entity, no further Credit Event Notices may be delivered in respect of any Reference Entity other than the Reference Entity that was the subject of the first occurring Multiple Exercise Restructuring Credit Event; (ii) in the case of an N^{th} -to-Default Credit Linked Note, if a Multiple Exercise Restructuring Credit Event has occurred in respect of the N^{th} Reference Entity, no further Credit Event Notices may be delivered in respect of any Reference Entity other than the N^{th} Reference Entity; and (iii) in the case of a Linear Basket Note, the fact that a Multiple Exercise Restructuring Credit Event has occurred in respect of a Reference Entity shall not preclude delivery of a Credit Event Notice in respect of any other Reference Entity.
- (vi) If “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” is specified in the applicable Final Terms and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Deliverable Obligation may only be included in an Asset Amount (including any Amendment in a NOPS Amendment Notice), if such Deliverable Obligation (A) is a Fully Transferable Obligation and (B) has a final maturity date not later than the applicable Restructuring Maturity Limitation Date.
- (vii) If “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Deliverable Obligation may only be included in an Asset Amount (including any amendment in a NOPS Amendment Notice) 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.
- (viii) If the provisions of this Condition 10(l) apply in respect of the Notes, on redemption of part of each such Note, the relevant Note or, if the Notes are represented by a Global Note, such Global Note shall be endorsed to reflect such partial redemption.
- (ix) For the avoidance of doubt, if Restructuring is specified in the applicable Final Terms as being an applicable Credit Event and neither “Restructuring Maturity Limitation

and Fully Transferable Obligation Applicable" nor "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified in the applicable Final Terms, the Issuer may not deliver multiple Credit Event Notices with respect to a Restructuring Credit Event. If a Restructuring Credit Event occurs, the Issuer may only deliver a single Credit Event Notice in respect of such Reference Entity and, subject to satisfaction of the Conditions to Settlement and the other provisions of these Credit Linked Conditions, each Note shall be redeemed in full (or, if the Notes are Linear Basket Notes, in part) pursuant to and in accordance with Condition 10(a).

(x) If "Multiple Holder Obligation" is specified as applicable in the applicable Final Terms, notwithstanding anything to the contrary in the definition of Restructuring and this Condition 10, the occurrence of, agreement to, or announcement of, any of the events described in sub-paragraphs (i) to (v) of the definition of "Restructuring" shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation.

(m) *Physical Delivery*

(i) If any Credit Linked Note is to be redeemed by delivery of the Asset Amount(s), subject to Conditions 10(e) and 10(j), such delivery shall be made in accordance with and subject as provided in Condition 9.

(ii) The Issuer shall specify in the Notice of Physical Settlement the Deliverable Obligations comprising the Asset Amount that it reasonably expects to Deliver. For the avoidance of doubt, the Issuer shall be entitled to select any of the Deliverable Obligations to constitute the Asset Amount, irrespective of their market value and may substitute any Deliverable Obligations specified in the Notice of Physical Settlement on or prior to the Physical Settlement Date by delivery of a NOPS Amendment Notice.

(iii) In relation to each Deliverable Obligation constituting any Asset Amount, the Issuer will Deliver or procure the Delivery of the relevant Deliverable Obligation as provided below on the Physical Settlement Date Provided That if all or some of the Deliverable Obligations included in the Asset Amount in respect of a Note are Undeliverable Obligations and/or Hedge Disruption Obligations, then the Issuer shall continue to attempt to Deliver or, if applicable, shall attempt to Deliver where possible all or a portion of such Undeliverable Obligations or Hedge Disruption Obligations, as the case may be, on or before the Final Delivery Date, Provided Further That if all or a portion of such Undeliverable Obligations or Hedge Disruption Obligations, as the case may be, are not Delivered by the Final Delivery Date the provisions of Condition 10(n) shall apply.

(n) *Partial Cash Settlement*

If all or a portion of the Undeliverable Obligations or Hedge Disruption Obligations comprising the Asset Amount in respect of a Note are not Delivered by the Final Delivery Date, the Issuer shall give notice (a **Partial Cash Settlement Notice**) to the Noteholders in accordance with Condition 23 and the Issuer shall pay in respect of each Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, the Partial Cash Settlement Amount on the Partial Cash Settlement Date.

In the Partial Cash Settlement Notice, the Issuer must give brief details of why it is unable to deliver the relevant Undeliverable Obligations or Hedge Disruption Obligation, as the case may be.

Unless otherwise specified in the applicable Final Terms, for the purposes of this Condition 10(n) the following terms shall be defined as follows:

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 Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, with an Outstanding Principal Balance equal to the Quotation Amount.

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 Obligation or Hedge Disruption Obligation, as the case may be, equal to the Quotation Amount, which reflects such Quotation Dealer's reasonable assessment of the price of such Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, based on such factors as such Quotation Dealer may consider relevant, which may include historical prices and recovery rates.

Market Value means, with respect to an Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, 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 highest and lowest values (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); (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 value 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 specified as applying in the applicable Final Terms 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 paragraph (ii) of the definition of "Quotation" below, an amount as determined by the Calculation Agent on the next Business Day on which at least two 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 Obligation or Hedge Disruption Obligation, 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.

Partial Cash Settlement Amount is deemed to be, for each Undeliverable Obligation or Hedge Disruption 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 Obligation or Hedge Disruption Obligation, as the case may be, multiplied by (B) the Final Price with respect to such Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, less if

applicable (C) Unwind Costs, if any (but excluding any Unwind Costs already taken into account in calculating the relevant Asset Amount), and (ii) zero.

Partial Cash Settlement Date is deemed to be the date falling three Business Days after the calculation of the Final Price.

Quotation means each Full Quotation, the Weighted Average Quotation and, if Indicative Quotations are specified as applying in the applicable Final Terms, each Indicative Quotation obtained and expressed as a percentage 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 applicable Final 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 applicable Final 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 of, if no Full Quotation is obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations) for the Undeliverable Obligation or the Hedge Disruption Obligation, 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) The Calculation Agent shall determine, based on the then current market practice in the market of the relevant Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this specification or determination.
- (iv) If any Quotation obtained with respect to an Accreting Obligation is expressed as a percentage of the amount payable in respect of such obligation at maturity, such Quotation will instead be expressed as a percentage of the Outstanding Principal Balance for purposes of determining the Final Price.

Quotation Amount is deemed to be, with respect to each type or issue of Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, an amount equal to the Outstanding Principal Balance or Due and Payable Amount (or, in either case, its equivalent in the relevant Obligation Currency 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 Obligation or Hedge Disruption Obligation, as the case may be.

Quotation Method is deemed to be Bid.

Reference Obligation is deemed to be each Undeliverable Obligation or Hedge Disruption Obligation, as the case may be.

Valuation Date means the date following three Business Days after the Final Delivery Date.

Valuation Method, unless specified otherwise in the Final Terms, is deemed to be Highest unless fewer than two Full Quotations are obtained or a Weighted Average Quotation applies (or, if applicable, Indicative Quotations), in which case “Valuation Method” is deemed to be Market.

Valuation Time is the time specified as such in the applicable Final Terms, or, if no time is so specified, 11.00 a.m. in the principal trading market for the Undeliverable Obligation or the Hedge Disruption Obligation, as the case may be.

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 Undeliverable Obligation or the Hedge Disruption Obligation, as the case may be, with an Outstanding Principal Balance of as large a size as available but less than the Quotation Amount that in aggregate are approximately equal to the Quotation Amount.

(o) *Transaction Type Standard Terms*

In respect of a series of Notes whose Final Terms specified that “Physical Settlement Matrix Standard Terms” apply and specify one or more “Transaction Types” that are included in the Physical Settlement Matrix, the terms of this Condition 10 which are set out in the Physical Settlement Matrix with respect to such “Transaction Type” shall be deemed to apply to that Series of Notes, provided that the Final Terms do not specify any inconsistent terms, in which case the provisions of the Final Terms shall prevail.

(p) *Definitions applicable to Credit Linked Notes*

For the purposes of this Condition 10 only, the following terms shall have the meanings set out below.

2005 Matrix Supplement means the 2005 Matrix Supplement to the 2003 ISDA Credit Derivatives definitions as published by ISDA on March 7, 2005 in effect on the Issue Date.

Accreted Amount means, with respect to an Accreting Obligation, an amount equal to (a) the sum of (i) the original issue price of such obligation and (ii) the portion of the amount payable at maturity that has accrued in accordance with the terms of the obligation (or as otherwise described below), less (b) any cash payments made by the obligor thereunder that, under the terms of such obligation, reduce the amount payable at maturity (unless such cash payments have been accounted for in (a)(ii) above), in each case calculated as of the earlier of (A) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (B) the Delivery Date or applicable Valuation Date, as the case may be. Such Accreted Amount shall include any accrued and unpaid periodic cash interest payments (as determined by the Calculation Agent in its sole and absolute discretion) only if “Include Accrued Interest” is specified as being applicable in the applicable Final Terms. If an Accreting Obligation is expressed to accrete pursuant to a straight-line method or if such

Obligation's yield to maturity is not specified in, nor implied from, the terms of such Obligation, then, for the purposes of (a)(ii) above, the Accreted Amount shall be calculated using a rate equal to the yield to maturity of such Obligation. Such yield shall be determined on a semi-annual bond equivalent basis using the original issue price of such obligation and the amount payable at the scheduled maturity of such obligation, and shall be determined as of the earlier of (A) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (B) the Delivery Date or applicable Valuation Date, as the case may be. The Accreted Amount shall exclude, in the case of an Exchangeable Obligation, any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

Accreting Obligation means any obligation (including, without limitation, a Convertible Obligation or an Exchangeable Obligation), the terms of which expressly provide for an amount payable upon acceleration equal to the original issue price (whether or not equal to the face amount thereof) plus an additional amount or amounts (on account of original issue discount or other accruals of interest or principal not payable on a periodic basis) that will or may accrete, whether or not (a) payment of such additional amounts is subject to a contingency or determined by reference to a formula or index, or (b) periodic cash interest is also payable.

Additional Amount Period means the period from and including the Scheduled Maturity Date to but excluding (i) the Repudiation/Moratorium Evaluation Date (where Condition 10(f)(i)(B) applies), (ii) the Grace Period Extension Date (where Condition 10(g)(i)(B) applies) or (iii) the Postponed Maturity Date (where Condition 10(h)(IV) applies).

Additional Deliverable Obligation means each obligation of a Reference Entity specified as such in the applicable Final Terms for the purposes of the definition of "Deliverable Obligation".

Additional EDD Interest Amount means an amount in the Specified Currency determined by the Calculation Agent in respect of each Calculation Amount per Note equal to the sum of:

(a) each Interest Amount that would have been payable per Calculation Amount, but for the operation of Condition 3(d) and Condition 10(f) and the original determination of the Event Determination Date, on each Interest Payment Date falling after the date originally determined to be the Event Determination Date, to and including the Interest Recommencement Date; and

(b) interest on each such Interest Amount determined by the Calculation Agent using:

(I) a rate (expressed as a percentage) calculated by the Calculation Agent in its sole and absolute discretion equal to the average of the Overnight Rates for each day in the period from and including the Interest Payment Date on which the relevant Interest Amount would have been paid but for the operation of Condition 3(d) and the original determination of the Event Determination Date to but excluding the Interest Recommencement Date; and

(II) the number of days in the period from and including the Interest Payment Date on which the relevant Interest Amount would have been paid but for the operation of Condition 3(d) and the original determination of the Event Determination Date to but excluding the Interest Recommencement Date divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of such period is the 31st day of a month but the first day of such period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) the last day of such period is the last day of the month of February, in

which case the month of February shall not be considered to be lengthened to a 30-day month)).

Additional Interest Amount means an amount in the Specified Currency equal to the product of:

- (i) the Calculation Amount;
- (ii) the Average Overnight Rate in respect of the Additional Amount Period; and
- (iii) the number of days in the Additional Amount Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Additional Amount Period is the 31st day of a month but the first day of the Additional Amount Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) the last day of the Additional Amount Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)).

Additional Obligation means each obligation of a Reference Entity specified as such in the applicable Final Terms for the purposes of the definition of “**Obligation**”.

Additional Reference Entity has the meaning given in Condition 10(k)(ix).

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

Aggregate Nominal Amount means on the Issue Date the aggregate nominal amount of the Notes of such Series specified in the applicable Final 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 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) or Deliverable Obligation(s), as applicable, under the Notes (for which purpose the Calculation Agent may take into account (i) the credit derivatives transaction(s), credit event, reference entity, obligations and deliverable obligations to which the Auction relates and if the Auction relates to a Restructuring Credit Event, 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 (ii) any hedging transaction that the Issuer has or may enter into in connection with the Notes). In respect of a Restructuring Credit Event, if the Issuer exercises the Movement Option, the Parallel Auction selected by the Issuer on exercise of the Movement Option shall be the Applicable Auction.

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 (i) the credit derivatives transaction(s), credit event, reference entity and obligation(s) and deliverable obligations 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 (ii) any hedging transaction that the Issuer has or may enter into in connection with the Notes).

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 Issuer has entered or may enter into in connection with the Notes). An Applicable DC Credit Event Announcement will be deemed not to have occurred with respect to the Notes unless (i) the relevant Credit Event Resolution Request Date relating to the DC Credit Event Announcement was, in the determination of the Calculation Agent, an Applicable Request which occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date) and (ii) the Trade Date occurs on or prior to the Auction Final Price Determination Date, the Auction Cancellation Date or the date that is 21 calendar days following the No Auction Announcement Date, if any, as applicable.

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 Issuer has entered or may enter into in connection with the Notes).

Applicable Percentage means in respect of a redemption of a Note and a Credit Event:

- (i) if the Credit Event is not a Multiple Exercise Restructuring Credit Event and the Note is not a Linear Basket Note, 100%; or
- (ii) if the Credit Event is not a Multiple Exercise Restructuring Credit Event and the Note is a Linear Basket Note, an amount (expressed as a percentage) equal to the Reference Entity Nominal Amount of the Reference Entity to which the relevant Credit Event relates divided by the Aggregate Nominal Amount of the Notes outstanding as at the related Event Determination Date; or
- (iii) if the Credit Event is a Multiple Exercise 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 Request means a request that a Credit Derivatives Determinations Committee be convened to Resolve the matters described in the definition of Credit Event Resolution Request Date, which the Calculation Agent determines is relevant to the Notes (for which purpose the Calculation Agent may take into account (i) the credit derivatives transaction(s), credit event, succession event, reference entity and obligation(s) thereof which are the subject of the request and the Credit Events, Reference Entities and Obligations thereof under the Notes and (ii) any hedging transaction that the Issuer has or may enter into in connection with the Notes).

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 (i) 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 (ii) any hedging transaction that the Issuer has or may enter into in connection with the Notes).

Asset Amount means, in respect of each nominal amount of the Notes equal to the Calculation Amount, Deliverable Obligations selected by the Calculation Agent in its sole and absolute discretion with (i) an Outstanding Principal Balance (including accrued but unpaid interest (as determined by the Calculation Agent) if “Include Accrued Interest” is specified as applying in the applicable Final Terms, but excluding accrued but unpaid interest if “Exclude Accrued Interest” is specified as applying in the applicable Final Terms, and if neither “Include Accrued Interest” nor “Exclude Accrued Interest” is specified as applying in the applicable Final Terms, excluding accrued but unpaid interest)) (or the equivalent Currency Amount of any such amount) if the Deliverable Obligations are Borrowed Money or (ii) a Due and Payable Amount (or the equivalent Currency Amount of any such amount) if the Deliverable Obligations are not Borrowed Money, in each case as of the relevant Delivery Dates which in aggregate are equal to :

- (i) if the Credit Event is not a Multiple Exercise Restructuring Credit Event and the Notes are not Linear Basket Notes, the Calculation Amount; or
- (ii) if the Credit Event is not a Multiple Exercise Restructuring Credit Event and the Notes are Linear Basket Notes, the applicable Relevant Proportion multiplied by the Reference Entity Nominal Amount of the relevant Reference Entity to which the Credit Event relates; or
- (iii) if the Credit Event is a Multiple Exercise Restructuring Credit Event, the applicable Relevant Proportion multiplied by the Exercise Amount in respect of the relevant Reference Entity and Credit Event,

unless (a) Issuer elects to Deliver Deliverable Obligations with an Outstanding Principal Balance (including or excluding interest, as applicable) or a Due and Payable Amount, as applicable (or the equivalent currency amount), in an aggregate amount as of the relevant Delivery Dates that is greater than such amount, in which case such Deliverable Obligations shall comprise the Asset Amount and, for the avoidance of doubt, Noteholders shall not be required to pay any additional amount to the Issuer; or (b) the Issuer elects to Deliver Deliverable Obligations with an Outstanding Principal Balance (including or excluding interest, as applicable) or a Due and Payable Amount, as applicable (or the equivalent currency amount), in an aggregate amount as of the relevant Delivery Dates that is less than such amount, in which case such Deliverable Obligations shall comprise the Asset Amount and the Issuer shall pay to Noteholders no later than the Business Day following the Final Delivery Date an amount determined by the Calculation Agent equal to the portion of the Calculation Amount redeemed in respect of which Deliverable Obligations were not Delivered,

less,

- (i) if Unwind Costs are specified as applying in the applicable Final Terms, Deliverable Obligations with a market value determined by the Calculation Agent in its sole and absolute discretion on the Business Day selected by the Calculation Agent falling during the period from and including the Event Determination Date to and including the Delivery Date less than or equal to the Unwind Costs; and

- (ii) if Condition 10(j)(A) applies, Deliverable Obligations with an Outstanding Principal Balance or Due and Payable Amount (rounded up to the nearest whole number or denomination or other minimum amount in which the relevant Deliverable Obligations may

be Delivered), as applicable, equal to (or where rounding upwards applies, greater than) the EDD Adjustment Amount.

If an obligation by its terms represents or contemplates an obligation to pay an amount greater than the Outstanding Principal Balance of such obligation as of the Delivery Date as a result of the occurrence or non-occurrence of an event or circumstance, the Outstanding Principal Balance of such obligation shall not include any additional amount that would be payable upon the occurrence or non-occurrence of such event or circumstance.

Auction means, with respect to a Reference Entity and a Credit Event, unless otherwise specified in the Applicable Credit Derivatives Auction Settlement Terms an auction pursuant to which an Auction Final Price is to be determined in accordance with an 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 Applicable Credit Derivatives Auction Settlement Terms, the date on which such Auction was deemed to have been cancelled as announced by ISDA (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 Credit Derivatives Auction Settlement Terms.

Auction Credit Event Redemption Amount means, in respect of each nominal amount of the Notes equal to the Calculation Amount, the amount specified as such in the applicable Final Terms or if no such amount is specified in the applicable Final Terms, an amount calculated by the Calculation Agent equal to:

$$[A \times B \times C] - D - E$$

where:

A is the Calculation Amount;

B is the Applicable Percentage;

C is the Auction Final Price in respect of the relevant Applicable Auction;

D is Unwind Costs; and

E is the EDD Adjustment Amount (if applicable),

provided that in no event shall the Auction Credit Event Redemption Amount be less than zero.

Auction Credit Event Redemption Date means, the fifth Business Day following the later of the Auction Settlement Date, determined in accordance with the Applicable Credit Derivatives Auction Settlement Terms, and the date on which the Auction Settlement Notice is sent, or such other date specified in the applicable Final Terms, each as determined by the Calculation Agent.

Auction Final Price means, with respect to an Applicable Auction, unless otherwise specified in the relevant Applicable Credit Derivatives 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 determined to be the Auction Final Price in accordance with the Applicable Credit Derivatives Auction Settlement Terms.

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 Credit Derivatives Auction Settlement Terms.

Auction Settlement Date means the date that is the number of Business Days specified in the relevant Applicable Credit Derivatives Auction Settlement Terms (or, if a number of Business Days is not so specified, five Business Days) immediately following the relevant Auction Final Price Determination Date.

Auction Settlement Notice means a notice delivered by the Issuer to the Noteholders in accordance with Condition 23 following the occurrence of an Auction Final Price Determination Date notifying Noteholders of the redemption of the Notes in accordance with Condition 10(d) and specifying, in respect of a Restructuring Credit Event where the Movement Option applied, whether the Issuer exercised the Movement Option and, if so, the Parallel Auction selected as a result the exercise of the Movement Option and the Auction Final Price for such Parallel Auction.

Average Overnight Rate means, in respect of the Additional Amount Period, a rate (expressed as a percentage) calculated by the Calculation Agent in its sole and absolute discretion equal to the average of the Overnight Rates for each day in the period from and including the first day of such Additional Amount Period to but excluding the second Business Day immediately preceding the day on which such Additional Amount Period ends but which is excluded from the Additional Amount Period.

Bankruptcy means a 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 or composition with or for the benefit of its creditors;
- (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar 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 30 calendar days of the institution or presentation thereof;
- (e) has a resolution passed for its winding-up, official management 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 30 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 any analogous effect to any of the events specified in clauses (a) to (g) (inclusive).

Basket means a basket composed of the Reference Entities as specified in the applicable Final Terms and such term shall include each New Basket resulting from the occurrence of a Succession Event and the identification of more than one Successor.

Best Available Information means:

- (i) in the case of a Reference Entity which files information with its primary securities regulator or primary stock exchange that includes unconsolidated, pro forma financial information which assumes that the relevant Succession Event has occurred or which provides such information to its shareholders, creditors or other persons whose approval of the Succession Event is required, that unconsolidated, pro forma financial information and, if provided subsequently to the provision of unconsolidated, pro forma financial information but before the Calculation Agent makes its determination for the purposes of the definition of "Successor", other relevant information that is contained in any written communication provided by the Reference Entity to its primary securities regulator, primary stock exchange, shareholders, creditors or other persons whose approval of the Succession Event is required; or
- (ii) in the case of a Reference Entity which does not file with its primary securities regulators or primary stock exchange, or which does not provide to shareholders, creditors or other persons whose approval of the Succession Event is required, the information contemplated in (i) above, the best publicly available information at the disposal of the Calculation Agent to allow it to make a determination for the purposes of the definition of "Successor".

Information which is made available more than 14 calendar days after the legally effective date of the Succession Event shall not constitute "Best Available Information".

Business Day means for the purposes of this Condition 10 only, a day on which commercial banks and foreign exchange markets are generally open to settle payments in each Specified Business Centre specified in the applicable Final Terms, and a day on which the TARGET System is open (if "TARGET" is specified for that purpose in the applicable Final Terms).

Calculation Agent City Business Day means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the Calculation Agent City specified in the applicable Final Terms.

Calculation Amount means the amount specified as such in the Final Terms.

Cash Settlement Notice had the meaning given in Condition 10(b).

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, 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 if a Reference Entity is guaranteeing such

Deliverable Obligation) or any agent is required for such novation, assignment or transfer 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".

For purposes of determining whether a Deliverable Obligation satisfies the requirements of the definition of Conditionally Transferable Obligation, such determination shall be made as of the Delivery Date for the Deliverable Obligation, taking into account only the terms of the Deliverable Obligation and any related transfer or consent documents which have been obtained by the Issuer.

Conditions to Settlement means the occurrence of an Event Determination Date to the extent that such Event Determination Date is not subsequently reversed prior to the Auction Final Price Determination Date in respect of an Applicable Auction, or, if the Issuer exercises the Movement Option, the Parallel Auction Final Price Determination Date in respect of the relevant Parallel Auction, a final Valuation Date, the Physical Settlement Date (or, if earlier, a Delivery Date), or the Maturity Date, as applicable (each a **Reversal Cut-off Date**). For the avoidance of doubt, if an Event Determination Date is subsequently reversed prior to the relevant Auction Final Price Determination Date, Parallel Auction Final Price Determination Date, final Valuation Date, the Physical Settlement Date (or, if earlier, a Delivery Date), or the Maturity Date, the Conditions to Settlement shall not be deemed to have been satisfied with respect to the related Credit Event and Reference Entity. Where the Notes are First-to-Default Credit Linked Notes, the Conditions to Settlement shall apply solely to one Reference Entity, which shall be the first Reference Entity with respect to which an Event Determination Date occurs and is not subsequently reversed prior to the relevant Reversal Cut-off Date. Where the Notes are N^{th} -to-Default Credit Linked Notes, the Conditions to Settlement shall apply solely to the N^{th} Reference Entity with respect to which an Event Determination Date occurs and is not subsequently reversed prior to the relevant Reversal Cut-off Date. Where the Notes are Linear Basket Notes, the Conditions to Settlement may be satisfied and 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, the Conditions to Settlement shall apply only once to each such Reference Entity.

Convertible Obligation means any obligation that is convertible, in whole or in part, into Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

Credit Derivatives Auction Settlement Terms means, with respect to a Reference Entity and a Credit Event, any Credit Derivatives Auction Settlement Terms published by ISDA in accordance with the Rules with respect to such Reference Entity and Credit Event, a form of which is published by ISDA on its website at www.isda.org (or any successor website thereto) from time to time and as amended in accordance with the Rules from time to time.

Credit Derivatives Determinations Committees means the committees established by ISDA for purposes of reaching certain DC Resolutions in connection with credit derivative transactions.

Credit Event means the occurrence of any one or more of the Credit Events specified in the applicable Final Terms which may include Bankruptcy, Failure to Pay, Obligation

Acceleration, Obligation Default, Repudiation/Moratorium or Restructuring, or any additional Credit Event specified in the applicable Final Terms, as determined by the Calculation Agent.

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 a 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,

(i) if Credit Event Backstop Date is specified as “Applicable” in the applicable Final Terms, the date determined by the Calculation Agent:

(a) for the purposes of any event that constitutes a Credit Event (or with respect to Repudiation/Moratorium, the event described in sub-paragraph (ii) of the definition thereof), as determined by a DC Resolution that is an Applicable Resolution, the date that is 60 calendar days prior to the Credit Event Resolution Request Date, provided that the Calculation Agent determines that the DC Resolution is an Applicable Resolution and the Credit Event Resolution Request Date relates to an Applicable Request; or

(b) otherwise, that is 60 calendar days prior to the earlier of:

(I) the first date on which both the Credit Event Notice and, if Notice of Publicly Available Information is specified as a Condition to Settlement in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer and are effective during the Notice Delivery Period; and

(II) in circumstances where (A) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (i) and (ii) of the definition of Credit Event Resolution Request Date are satisfied in accordance with the Rules in relation to an Applicable Request, (B) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, provided that such Resolution is an Applicable Resolution and (C) the Credit Event Notice and, if Notice of Publicly Available Information is specified as a Condition to Settlement in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer and are effective not more than fourteen calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Credit Event Resolution Request Date; or

(ii) if Credit Event Backstop Date is specified as "Not Applicable" in the applicable Final Terms, the Credit Event Backstop Date shall be deemed to be the Business Day following the Trade Date.

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 Calculation Agent (which may be in writing (including by facsimile and/or email) and/or by telephone) to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Credit Event that occurred on or after the applicable Credit Event Backstop Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time) and on or prior to the Extension Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)). 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. A Credit Event Notice shall be subject to the requirements regarding notices set out in Condition 10(s).

Credit Event Redemption Amount means, in respect of each nominal amount of the Notes equal to the Calculation Amount, the amount specified as such in the applicable Final Terms or if no such amount is specified in the applicable Final Terms, an amount calculated by the Calculation Agent equal to:

$$(A \times B \times C) - D - E$$

where:

A is the Calculation Amount;

B is the Applicable Percentage;

C is the Final Price;

D is Unwind Costs; and

E is the EDD Adjustment Amount (if applicable),

provided that in no event shall the Credit Event Redemption Amount be less than zero.

Credit Event Redemption Date means (i) if the Credit Event Redemption Amount or Final Price is not specified in the applicable Final Terms, the day falling the number of Business Days specified in the applicable Final Terms (or, if a number of Business Days is not so specified, three Business Days) following the calculation of the Final Price or, (ii) if the Credit Event Redemption Amount or the Final Price is specified in the applicable Final Terms, the date that is three Business Days (or such other number of Business Days specified in the applicable Final Terms) following the satisfaction of all Conditions to Settlement relevant to such Credit Event (or if Cash Settlement is applicable pursuant to the Fallback Settlement Method in accordance with Condition 10(d), the date that is three Business Days (or such other number of Business Days specified in the applicable Final Terms) following any Auction Cancellation Date or No Auction Announcement Date in respect of the relevant Applicable Auction, if later).

Credit Event Resolution Request Date means, with respect to a notice to ISDA, delivered in accordance with the Rules, requesting that a Credit Derivatives Determinations Committee be convened to Resolve:

- (i) whether an event that constitutes a credit event for purposes of certain credit derivative transaction(s) has occurred with respect to a particular reference entity or obligation thereof; and
- (ii) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, the date of the occurrence of such event,

the date, as publicly announced by ISDA, that the relevant Credit Derivatives Determinations Committee Resolves to be the first date on which such notice was effective and on which the relevant Credit Derivatives Determinations Committee was in possession, in accordance with the Rules, of Publicly Available Information with respect to the DC Resolutions referred to in (i) and (ii) above.

Currency Amount means, with respect to a Deliverable Obligation comprising all or part of the Asset Amount that is denominated in a currency other than the Settlement Currency an amount converted to the relevant Settlement Currency using a conversion rate determined by reference to the Currency Rate.

Currency Rate means, with respect to a Deliverable Obligation comprising the Asset Amount, the rate of conversion of 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 on such date at the Calculation Agent determines appropriate or (ii) if such rate is not available at such time, determined by the Calculation Agent in a commercially reasonable manner (which may include the rate determined in connection with the Applicable Auction or Parallel Auction).

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, or other rate source, determined by the Calculation Agent in its sole and absolute discretion. For these purposes the Calculation Agent may take into account any successor rate source approved by a relevant Credit Derivatives Determinations Committee.

DC Party has the meaning given to that term in the Rules.

DC Credit Event Announcement means, with respect to a Reference Entity, a public announcement by ISDA that the relevant Credit Derivatives Determinations Committee has Resolved that (a) an event that constitutes a Credit Event for purposes of certain credit derivative transactions has occurred with respect to such Reference Entity (or an Obligation thereof) and the Calculation Agent determines that such DC Resolution is an Applicable Resolution relevant to the Notes and (b) the Calculation Agent determines that such event occurred on or after the relevant Credit Event Backstop Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant Reference Entity is Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) and on or prior to the Extension Date (determined by reference to Greenwich Mean Time (or, if the relevant Transaction Type of the relevant Reference Entity is Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)).

DC No Credit Event Announcement means, with respect to a Reference Entity, a public announcement by ISDA that the relevant Credit Derivatives Determinations Committee has Resolved, following a Credit Event Resolution Request Date, that the event that is the subject

of the notice to ISDA resulting in the occurrence of such Credit Event Resolution Request Date does not constitute a Credit Event for purposes of the certain credit derivatives transactions with respect to such Reference Entity (or an Obligation thereof).

DC Resolution has the meaning given to that term in the definition of Resolve below.

Default Requirement means the amount specified as such in the applicable Final Terms or its equivalent in the relevant Obligation Currency or, if a Default Requirement is not specified in the applicable Final Terms, U.S.\$10,000,000, or its equivalent as calculated by the Calculation Agent 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 Qualifying Guarantee, transfer of the benefit of the Qualifying 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 and interest in the Asset Amount(s) to the relevant Noteholder free and clear of any and all liens, charges, claims or encumbrances (including without limitation any counterclaim, defence (other than a counterclaim or defence based on the factors set out in (a) to (d) inclusive in the definition of "Credit Event" above) or right of set-off by or of the Reference Entity or, as applicable, an Underlying Obligor); provided that if all or a portion of an Asset Amount consists of Direct Loan Participations, "Deliver" means to create (or procure the creation) of a participation in favour of the relevant Noteholder and to the extent that the Deliverable Obligations consist of Qualifying Guarantees, "Deliver" means to deliver both the Qualifying Guarantee and the Underlying Obligation. **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.

Deliverable Obligation means, subject as provided in Condition 10(c):

- (a) any obligation of a Reference Entity (either directly, or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee) determined pursuant to the method described in "(A) Method for Determining Deliverable Obligations" below (but excluding any Excluded Deliverable Obligation specified in the applicable Final Terms) that (i) is payable in an amount equal to its Outstanding Principal Balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in paragraphs (a) to (d) of the definition of "Credit Event" above)) or right of set off by or of a Reference Entity or, as applicable, an Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the date on which the Notice of Physical Settlement is deemed given, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the Outstanding Principal Balance or Due and Payable Amount being Delivered apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement;
- (b) subject to the second paragraph of the definition of "Not Contingent" in "(A) Method for Determining Deliverable Obligations" below, each Reference Obligation, unless specified in the applicable Final Terms as an Excluded Deliverable Obligation;
- (c) solely in relation to a Restructuring Credit Event applicable to a Sovereign Reference Entity, any Sovereign Restructured Deliverable Obligation (but excluding any

Excluded Deliverable Obligation) that (i) is payable in an amount equal to its Outstanding Principal Balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defense (other than a counterclaim or defense based on the factors set forth in paragraphs (a)-(d) of the definition of “Credit Event” above) or right of set-off by or of a Reference Entity or, as applicable, an Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the date on which the Notice of Physical Settlement is deemed given, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the Outstanding Principal Balance or Due and Payable Amount being Delivered apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement; and

(d) any Additional Deliverable Obligation of a Reference Entity specified as such in the applicable Final Terms.

(A) Method for Determining Deliverable Obligations. For the purposes of this definition of “Deliverable Obligation”, the term “Deliverable Obligation” may be defined as each obligation of each Reference Entity described by the Deliverable Obligation Category specified in the applicable Final Terms, and, subject to (B)(3) below, having each of the Deliverable Obligation Characteristics, if any, specified in the applicable Final Terms, in each case, as of the Delivery Date. The following terms shall have the following meanings:

(1) **Deliverable Obligation Category** means one of Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan (each as defined in the definition of “Obligation” below, except that, for the purpose of determining Deliverable Obligations, the definition of “Reference Obligations Only” shall be amended to state that no Deliverable Obligation Characteristics shall be applicable to Reference Obligations Only).

(2) **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), Not Contingent, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer, where:

(i) **Not Contingent** means any obligation having as of the Delivery Date and all times thereafter an Outstanding Principal Balance or, in the case of obligations that are not Borrowed Money, a Due and Payable Amount, that pursuant to the terms of such obligation may not be reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). A Convertible Obligation, an Exchangeable Obligation and an Accreting Obligation shall constitute Deliverable Obligations that are Not Contingent if such Convertible Obligation, Exchangeable Obligation or Accreting Obligation otherwise meets the requirements of the preceding sentence so long as, in the case of a Convertible Obligation or an Exchangeable Obligation, the right (A) to convert or exchange such obligation or (B) to require the issuer to purchase or redeem such obligation (if the issuer has exercised the right to pay the purchase or redemption price, in whole or in part, in Equity Securities) has not been exercised (or such exercise has been effectively rescinded) on or before the Delivery Date.

If a Reference Obligation is a Convertible Obligation or an Exchangeable Obligation, then such Reference Obligation may be included as a Deliverable Obligation only if the rights referred to in clauses (A) and (B) of paragraph (i) above have not been exercised (or such exercise has been effectively rescinded) on or before the Delivery Date.

- (ii) **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 or organisation) that are not then a lender or a member of the relevant lending syndicate, without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if a Reference Entity is guaranteeing such Loan) or any agent;
- (iii) **Consent Required Loan** means a Loan that is capable of being assigned or novated with the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if a Reference Entity is guaranteeing such loan) or any agent;
- (iv) **Direct Loan Participation** means a Loan in respect of which, pursuant to a participation agreement, the Issuer 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 Issuer (to the extent that the Issuer is then a lender or a member of the relevant lending syndicate), or (B) a Qualifying Participation Seller (if any) (to the extent such Qualifying Participation Seller is then a lender or a member of the relevant lending syndicate);
- (v) **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:
 - (a) contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities 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); or
 - (b) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds;
- (vi) **Maximum Maturity** means an obligation that has a remaining maturity from the Physical Settlement Date of not greater than the period specified in the applicable Final Terms;
- (vii) **Accelerated or Matured** means an obligation under which the total amount owed, whether at maturity, by reason of acceleration, upon termination or otherwise (other than amounts in respect of default interest, indemnities, tax gross-ups and other similar amounts), is, or on or prior to the Delivery Date will be, 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; and
- (viii) **Not Bearer** means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via Euroclear, Clearstream, Luxembourg or any other internationally recognised clearing system.

(B) Interpretation of Provisions.

(1) If the Obligation Characteristic “Listed” is specified in the applicable Final Terms, the Final Terms shall be construed as though Listed had been specified as an Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Obligation Category;

(2) if (i) either of the Deliverable Obligation Characteristics “Listed” or “Not Bearer” is specified in the applicable Final Terms, the Final Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Deliverable Obligation Category; (ii) the Deliverable Obligation Characteristic “Transferable” is specified in the applicable Final Terms, the Final 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 (and shall only be relevant to the extent that obligations other than Loans are covered by the selected Deliverable Obligation Category); or (iii) any of the Deliverable Obligation Characteristics “Assignable Loan”, “Consent Required Loan” or “Direct Loan Participation” is specified in the applicable Final Terms, the Final Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Loans and shall only be relevant if Loans are covered by the selected Deliverable Obligation Category;

(3) if any of Payment, Borrowed Money, Loan or Bond or Loan is specified as the Deliverable Obligation Category and more than one of Assignable Loan, Consent Required Loan and Direct Loan Participation are specified as Deliverable Obligation Characteristics, 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; and

(4) in the event that an Obligation or a Deliverable Obligation is a Qualifying Guarantee, the following will apply:

(i) For purposes of the application of the Obligation Category or the Deliverable Obligation Category, the Qualifying Guarantee shall be deemed to be described by the same category or categories as those that describe the Underlying Obligation.

(ii) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the applicable Final Terms from the following list: Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified in the applicable Final Terms, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law.

(iii) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the applicable Final Terms from the following list: Listed, Not Contingent, Not Domestic Issuance, Assignable Loan,

Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.

- (iv) For 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.
- (v) The terms "Outstanding Principal Balance" and "Due and Payable Amount" (as they are used in these Conditions, including without limitation, the definitions of "Partial Cash Settlement Amount" and "Quotation Amount" in Condition 10(n)), when used in connection with Qualifying Guarantees are to be interpreted to be the then "Outstanding Principal Balance" or "Due and Payable Amount", as applicable, of the Underlying Obligation which is supported by a Qualifying Guarantee.

For the avoidance of doubt the provisions of this paragraph (B) apply in respect of the definitions of Obligation and Deliverable Obligation as the context admits.

Delivery Date means, with respect to a Deliverable Obligation, the date such Deliverable Obligation is Delivered.

Domestic Currency means the currency specified as such in the applicable Final Terms and any successor currency. If no currency is specified in the applicable Final Terms, the Domestic Currency shall be 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 relevant Reference Entity is organised, if the Reference Entity is not a Sovereign. In no event shall Domestic Currency include any successor currency if such successor currency is the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro (or any successor currency to any such currency).

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, subject as provided in sub-paragraph (4)(v) of paragraph (B) (Interpretation of Provisions) in the definition of Deliverable Obligation, the amount that is due and payable under (and in accordance with the terms of) a Deliverable Obligation on the Delivery Date, whether by reason of acceleration, maturity, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts).

EDD Adjustment Amount means an amount in the Specified Currency determined by the Calculation Agent in respect of each Calculation Amount equal to the sum of:

- (a) each amount of interest per Calculation Amount that would not have been paid (if any) on any Interest Payment Date to Noteholders had the earlier Event Determination Date been the date originally determined as the Event Determination Date; and
- (b) interest on each such amount determined by the Calculation Agent using:
 - (I) a rate (expressed as a percentage) calculated by the Calculation Agent in its sole and absolute discretion equal to the average of the Overnight Rates for each day in the period from and including the Interest Payment Date on which the relevant interest amount was paid to but excluding the date on which the Notes are redeemed; and

(II) the number of days in the period from and including the Interest Payment Date on which the relevant interest amount was paid to but excluding the date on which the Notes are redeemed divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of such period is the 31st day of a month but the first day of such period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) the last day of such period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)).

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) below); 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 U.S.\$500 million;

- (b) an Affiliate of an entity specified in the preceding sub-paragraph (a);
- (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 obligations, commercial paper conduit or other special purpose vehicle) that (1) has total assets of at least U.S.\$100 million or (2) is one of a group of investment vehicles under common control or management having, in the aggregate, total assets of at least U.S.\$100 million; or
 - (ii) that has total assets of at least U.S.\$500 million; or
 - (iii) the obligations of which under an agreement, contract or transaction are guaranteed or otherwise supported by a letter of credit or keep well, support, or other agreement by an entity described in subparagraphs (a), (b), (c)(ii) or (d); and
- (d) a Sovereign, Sovereign Agency or Supranational Organisation.

All references in this definition to U.S.\$ include equivalent amounts in other currencies.

Enabling Obligation means an outstanding Deliverable Obligation that (i) is a Fully Transferable Obligation or a Conditionally Transferable Obligation, as applicable, and (ii) has a final maturity date occurring on or prior to the Scheduled Maturity Date and following the Limitation Date immediately preceding the Scheduled Maturity Date (or, in circumstances where the Scheduled Maturity Date occurs prior to the 2.5-year Limitation Date, following the final maturity date of the Latest Maturity Restructured Bond or Loan, if any).

Equity Securities means:

- (a) in the case of a Convertible Obligation, equity securities (including options and warrants) of the issuer of such obligation or depositary receipts representing equity securities of the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time; and
- (b) in the case of an Exchangeable Obligation, equity securities (including options and warrants) of a person other than the issuer of such obligation or depositary receipts representing those equity securities of a person other than the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time.

Event Determination Date means, with respect to a Credit Event:

- (i) subject to sub-paragraph (ii) of this definition, if neither an Applicable DC Credit Event Announcement nor an Applicable DC No Credit Event Announcement has occurred, the first date on which the Calculation Agent determines that both the Credit Event Notice and, if Notice of Publicly Available Information is specified as a Condition to Settlement in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer and are effective during either:
 - (A) the Notice Delivery Period; or
 - (B) the period (I) from, and including, the date on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in sub-paragraphs (i) and (ii) of the definition of Credit Event Resolution Request Date and the Calculation Agent determines that such Resolution constitutes an Applicable Resolution and (II) to, and including, the date that is 14 calendar days thereafter (provided that the relevant Credit Event Resolution Request Date in respect of an Applicable Request occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)); or
- (ii) notwithstanding sub-paragraph (i) of this definition, if an Applicable DC Credit Event Announcement has occurred as determined by the Calculation Agent, either:
 - (A) the Credit Event Resolution Request Date (in respect of the relevant Applicable Request as determined by the Calculation Agent), if either:
 - (I) each of the following apply:
 - (1) “Event Determination Date Version A” is specified in the applicable Final Terms;
 - (2) the relevant Credit Event is not a Restructuring; and
 - (3) either (y) if “Auction Settlement” is specified as the Settlement Method in the applicable Final Terms, the Trade Date occurs on or prior to the Auction Final Price Determination Date in respect of an Applicable Auction, the Auction Cancellation Date in respect of an Applicable Auction, or the date that is 21 calendar days following the No Auction Announcement Date and the Calculation Agent determines that such announcement is an Applicable Announcement, if any, as applicable; or (z) if “Auction

Settlement" is not specified as the Settlement Method in the applicable Final Terms, the Trade Date occurs on or prior to the relevant Applicable DC Credit Event Announcement; or

(II) each of the following apply:

(1) either (y) "Event Determination Date Version B" is specified in the applicable Final Terms or (z) the relevant Credit Event is a Restructuring; and

(2) the Credit Event Notice is delivered by the Calculation Agent to the Issuer and is effective on or prior to the relevant Exercise Cut-off Date; or

(B) the first date on which the Credit Event Notice is delivered by the Calculation Agent to the Issuer and is effective during (I) the Notice Delivery Period or the (II) period from, and including, the date on which ISDA publicly announces the occurrence of the relevant Applicable DC Credit Event Announcement to, and including, the date that is fourteen 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) and is an Applicable Request as determined by the Calculation Agent), if either:

(I) each of the following apply:

(1) "Event Determination Date Version A" is specified in the applicable Final Terms;

(2) the relevant Credit Event is not a Restructuring;

(3) "Auction Settlement" is not specified as the Settlement Method in the applicable Final Terms; and

(4) the Trade Date occurs following the relevant Applicable DC Credit Event Announcement; or

(II) each of the following apply:

(1) "Event Determination Date Version B" is specified in the applicable Final Terms; and

(2) either (y) "Auction Settlement" is not specified as the Settlement Method in the applicable Final Terms; or (z) if "Auction Settlement" is specified as the Settlement Method in the applicable Final Terms, the Credit Event Notice is delivered by the Calculation Agent to the Issuer and is effective on a date that is later than the relevant Exercise Cut-off Date,

provided that, in the case of this sub-paragraph (ii):

(1) no Physical Settlement Date, if applicable, or Credit Event Redemption Date, Auction Credit Event Redemption Date or Maturity Date has occurred on or prior to the date on which the Applicable DC Credit Event Announcement occurs;

(2) if any Valuation Date or Delivery Date, as applicable, has occurred as of the date on which the Applicable DC Credit Event 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 Notes outstanding or the Reference Entity Nominal Amount outstanding in respect of the Reference Entity to which such 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 a Restructuring as the only Credit Event has previously been delivered by the Calculation Agent to the Issuer, (aa) unless the Restructuring specified in such Credit Event Notice is also the subject of the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date or (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 Notes then outstanding (or, in the case of Linear Basket Notes, the Reference Entity Nominal Amount then outstanding in respect of the relevant Reference Entity).

Event Determination Date Reversal has the meaning given in Condition 10(i)(iii)(B).

Exchangeable Obligation means any obligation that is exchangeable, in whole or in part, for Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

Excluded Deliverable Obligation means any obligation of a Reference Entity specified as such or of a type described in the applicable Final Terms.

Excluded Obligation means any obligation of a Reference Entity specified as such or of a type described in the applicable Final Terms.

Exercise Amount has the meaning given in Condition 10(1)(i)

Exercise Cut-off Date means, with respect to a Credit Event:

(i) if such Credit Event is not a Restructuring (or if such Credit Event is a Restructuring, neither “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” nor “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms), either;

- (A) the Relevant City Business Day prior to the Auction Final Price Determination Date in respect of an Applicable Auction, if any;
- (B) the Relevant City Business Day prior to the Auction Cancellation Date, if any; or
- (C) the date that is 21 calendar days following the No Auction Announcement Date, if any,

as applicable; or

(ii) if such Credit Event is a Restructuring and either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms and:

(A) the relevant Credit Derivatives Determinations Committee has Resolved that 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 ISDA publishes the Final List applicable to such Credit Derivatives Auction Settlement Terms in accordance with the Rules, provided that the Calculation Agent determines that such Resolution and Credit Derivatives Auction Settlement Terms constitute an Applicable Resolution and Applicable Credit Derivatives Auction Settlement Terms, as applicable; or

(B) a No Auction Announcement Date occurs pursuant to sub-paragraph (a) of the definition of No Auction Announcement Date, the date that is 21 calendar days following such No Auction Announcement Date;

Extension Date means the latest of:

- (i) the Scheduled Maturity Date;
- (ii) the Grace Period Extension Date if (a) Grace Period Extension is specified as applicable in the applicable Final Terms, (b) the Credit Event that is the subject of the Credit Event Notice or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date in respect of an Applicable Request, as applicable, is a Failure to Pay that occurs after the Scheduled Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) and (c) the Potential Failure to Pay with respect to such Failure to Pay occurs on or prior to the Scheduled Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)); and
- (iii) the Repudiation/Moratorium Evaluation Date if (a) the Credit Event that is the subject of the Credit Event Notice or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date in respect of an Applicable Request, as applicable, is a Repudiation/Moratorium for which the event described in subparagraph (ii) of the definition of Credit Event Resolution Request Date occurs after the Scheduled Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), (b) the Potential Repudiation/Moratorium with respect to such Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) and (c) the Repudiation/Moratorium Extension Condition is satisfied.

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 a 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.

Fallback Settlement Method means, with respect to Notes for which “Auction Settlement” is specified as the Settlement Method in the applicable Final Terms, the Fallback Settlement Method specified in such Final Terms, or if no Fallback Settlement Method is specified, the Fallback Settlement Method shall be deemed to be “Cash Settlement”.

Final Delivery Date means the 30th Business Day following the Physical Settlement Date.

Final List has the meaning given to that term in the Rules.

Final Price means the price of the Reference Obligation(s), expressed as a percentage, as specified in the Final Terms or, if not so specified, determined in accordance with the Valuation Method specified in the applicable Final Terms or, if no Valuation Method is specified in the Final Terms, the Valuation Method set out in the definition of Valuation Method in either Condition 10(n) or 10(p) (as applicable).

First-to-Default Credit Linked Notes means any Series of Notes in respect of which the Issuer purchases credit protection from Noteholders in respect of two or more Reference Entities and pursuant to which, upon the occurrence of a Credit Event and satisfaction of the Conditions to Settlement with respect to any of such Reference Entities, the Notes will be redeemed in accordance with the relevant Settlement Method.

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 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. 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 as a requirement for consent for purposes of this definition of "Fully Transferable Obligation". For purposes of determining whether a Deliverable Obligation satisfies the requirements of this definition of "Fully Transferable Obligation", such determination shall be made as of the Delivery Date for the relevant Deliverable Obligation, taking into account only the terms of the Deliverable Obligation and any related transfer or consent documents which have been obtained by the Issuer.

Governmental Authority means any *de facto* or *de jure* government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of a Reference Entity or of the jurisdiction of organisation of a Reference Entity.

Grace Period means:

- (i) subject to paragraphs (ii) and (iii) below, the applicable grace period with respect to payments under the relevant Obligation under the terms of such Obligation in effect as of the date as of which such Obligation is issued or incurred;
- (ii) if Grace Period Extension is specified as applying in the applicable Final Terms, a Potential Failure to Pay has occurred on or prior to the Scheduled Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) and the applicable grace period cannot, by its terms, expire on or prior to the Scheduled Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), the Grace Period shall be

deemed to be the lesser of such grace period and the period specified as such in the applicable Final Terms or, if no period is specified in the applicable Final Terms, 30 calendar days; and

- (iii) 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 applying in the applicable Final 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 and if a place or places are not so specified, in the jurisdiction of the Obligation Currency.

Grace Period Extension Date means, if:

- (a) Grace Period Extension is specified as applying in the applicable Final Terms; and
- (b) a Potential Failure to Pay occurs on or prior to the Scheduled Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)),

the day that is five Business Days following the day falling the number of days in the Grace Period after the date of such Potential Failure to Pay.

Hedge Disruption Event means in the opinion of the Calculation Agent any event as a result of which the Issuer and/or any of its Affiliates has not received the relevant Deliverable Obligations under the terms of any transaction entered into by the Issuer and/or any such Affiliate to hedge the obligations or position of the Issuer in respect of the Notes.

Hedge Disruption Obligation means a Deliverable Obligation included in the Asset Amount which, on the Physical Settlement Date for such Deliverable Obligation, the Calculation Agent determines cannot be Delivered as a result of a Hedge Disruption Event.

Interest Recommencement Date has the meaning given to it in Condition 10(j)(iii)(B).

ISDA means the International Swaps and Derivatives Association, Inc. or any successor thereto as determined by the Calculation Agent.

Legacy Reference Entity has the meaning given in Condition 10(k)(ix).

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 (the **5-year Limitation Date**), 7.5 years, 10 years, 12.5 years, 15 years, or 20 years (the **20-year Limitation Date**), as applicable. Limitation Dates shall not be subject to adjustment in accordance with any Business Day Convention unless otherwise specified in the applicable Final Terms.

Linear Basket Notes mean Notes which are specified as such in the applicable Final Terms, in respect of which the Issuer 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 occurs and the Conditions to Settlement are satisfied 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 relating to such Reference Entity in accordance with the relevant Settlement Method.

Market Value means, with respect to a 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 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 as provided in the definition of Quotation, an amount as determined by the Calculation Agent 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 Weighed Average Quotation are not obtained on or prior to the tenth Business Day following the applicable 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 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.

Maturity Date means the later to occur of the Scheduled Maturity Date, the Credit Event Redemption Date, the Auction Credit Event Redemption Date, the Repudiation/Moratorium Evaluation Date, the Grace Period Extension Date, the Partial Cash Settlement Date, the Postponed Maturity Date and the Physical Settlement Date.

Maturity Date Extension Event has the meaning given in Condition 10(l)(i).

Merger Event and **Merger Event Notice** has the meanings given in Condition 10(k)(x).

Minimum Quotation Amount means the amount specified as such in the applicable Final Terms (or its equivalent in the relevant Obligation Currency) or, if no amount is so specified, the lower of (a) U.S.\$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, securities 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, provided that, in circumstances where the Scheduled Maturity Date is later than the 2.5-year Limitation Date, at least one Enabling Obligation exists. If “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms and the Scheduled Maturity Date is later than the 2.5-year Limitation Date and, prior to the 5-year Limitation Date, a Restructured Bond or Loan will not constitute an Enabling Obligation. Notwithstanding the foregoing, if the Scheduled Maturity Date is either (i) on or prior to the 2.5-year Limitation Date or (ii) later than the 2.5-year Limitation Date and on or prior to the 5-year Limitation Date and no Enabling Obligation exists, the Modified Restructuring Maturity Limitation Date will be the 5-year Limitation Date in the case of a Restructured Bond or Loan only.

Subject to the foregoing, in the event that the Scheduled Maturity Date is later than (A) the 2.5-year Limitation Date and no Enabling Obligation exists or (B) the 20-year Limitation Date, the Modified Restructuring Maturity Limitation Date will be the Scheduled Maturity Date.

Movement Option means, if either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified as applicable in the applicable Final Terms, and if a No Auction Announcement Date has occurred pursuant to subparagraph (ii) of the definition of No Auction Announcement Date, the option of the Issuer to elect in good faith that a Parallel Auction and a set of Parallel Auction Settlement Terms, selected by the Issuer in good faith, shall be deemed to be applicable for the purposes of the Notes and Auction Settlement in respect of a Reference Entity and a Credit Event (for which purpose the Issuer may take into account (a) the terms of the relevant Parallel Auction Settlement Terms, the permissible deliverable obligations thereunder, the Deliverable Obligations under the Notes and (b) any hedging transaction that the Issuer has or may enter into in connection with the Notes). If the Issuer does not exercise this Movement Option, the Fallback Settlement Method shall apply.

Multiple Exercise Restructuring Credit Event means a Restructuring Credit Event in respect of which (i) “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms and (ii) the Exercise Amount specified in the first Credit Event Notice delivered by the Issuer in connection with such Restructuring Credit Event is for an amount that is less than (a) if the Notes are not Linear Basket Notes, the Aggregate Nominal Amount of the Notes or (b) if the Notes are Linear Basket Notes, the entire Reference Entity Nominal Amount of the relevant Reference Entity.

Multiple Holder Obligation means an Obligation that (i) 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 (ii) 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 any Obligation that is a Bond shall be deemed to satisfy the requirement in (ii).

New Basket, New Basket Notional Amount, New Basket Relevant Proportion and New Basket Outstanding Principal Amount have the meanings given to such terms in Condition 10(k)(v) and (vi).

No Auction Announcement Date means, with respect to Notes for which Auction Settlement is specified as the Settlement Method in the applicable Final Terms, a Reference Entity and a Credit Event, the date on which the Calculation Agent determines that ISDA first publicly announces that:

- (i) no Transaction Auction Settlement Terms and, if applicable, no Parallel Auction Settlement Terms will be published; or
- (ii) following the occurrence of a Restructuring, if either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms only, no Transaction Auction Settlement Terms will be published, but Parallel Auction Settlement Terms will be published; or
- (iii) the relevant Credit Derivatives Determinations Committee has Resolved that no Auction will be held following a prior public announcement by ISDA to the contrary and the Calculation Agent determines that such Resolution is an Applicable Resolution and no Applicable Auction will be held.

Non-Succession Event Reference Entity has the meaning given in Condition 10(k)(iv).

NOPS Amendment Notice has the meaning given in Condition 10(c).

Notice Delivery Period means the period from and including the Trade Date to and including the second Business Day after the date falling fourteen calendar days after the Extension Date.

Notice of Physical Settlement shall have the meaning given in Condition 10(c).

Notice of Publicly Available Information means an irrevocable notice from the Calculation Agent (which may be in writing (including by facsimile and/or email) and/or by telephone) to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) 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. In relation to a Repudiation/Moratorium Credit Event, the Notice of Publicly Available Information must cite Publicly Available Information confirming the occurrence of both clauses (i) and (ii) of the definition of Repudiation/Moratorium. The notice given must contain a copy or description in reasonable detail, of the relevant Publicly Available Information. If Notice of Publicly Available Information is specified as applying in the applicable Final Terms and a Credit Event Notice or Repudiation/Moratorium Extension Notice, as applicable, 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. A Notice of Publicly Available Information shall be subject to the requirements regarding notices in Condition 10(s).

N^{th} Reference Entity means, in respect of any Series of N^{th} -to-Default Credit Linked Notes, the numbered Reference Entity with respect to which an Event Determination Date must have occurred, and not been reversed prior to the relevant Reversal Cut-off Date, in order for the Notes to be redeemed in accordance with the applicable Settlement Method. For example, if the applicable Final Terms specify that the Notes are Second-to-Default Credit Linked Notes,

then the N^{th} Reference Entity shall be the second Reference Entity with respect to which an Event Determination Date has occurred

N^{th} -to-Default Credit Linked Notes means any Series of Notes in respect of which the Issuer purchases credit protection from Noteholders in respect of two or more Reference Entities and pursuant to which, upon the occurrence of a Credit Event and satisfaction of the Conditions to Settlement with respect to the N^{th} Reference Entity, and provided that the Event Determination Date not been reversed prior to the relevant Reversal Cut-off Date, the Notes will be redeemed in accordance with the relevant Settlement Method.

Obligation means:

- (a) any obligation of a Reference Entity (either directly, or as a provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee) determined pursuant to the method described in “Method for Determining Obligations” below (but excluding any Excluded Obligation);
- (b) each Reference Obligation specified in the applicable Final Terms, unless specified as an Excluded Obligation; and
- (c) any Additional Obligation of a Reference Entity specified as such in the applicable Final Terms.

Method for Determining Obligations. For the purposes of paragraph (a) of this definition of “Obligation”, the term “Obligation” may be defined as each obligation of each Reference Entity described by the Obligation Category specified in the applicable Final Terms, and having each of the Obligation Characteristics (if any) specified in the applicable Final Terms, in each case, as of the date of the event which constitutes the Credit Event which is either the subject of the Credit Event Notice or as of the date of the notice to ISDA 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 Obligations Only, Bond, Loan, or Bond or Loan, only one of which shall be specified in the applicable Final Terms, where:
 - (1) **Payment** means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money;
 - (2) **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);
 - (3) **Reference Obligations Only** means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligations Only;
 - (4) **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 security or other debt security and shall not include any other type of Borrowed Money;

(5) **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; and

(6) **Bond or Loan** means any obligation that is either a Bond or a Loan.

(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 specified in the applicable Final Terms, where:

(1) (a) **Not Subordinated** means an obligation that is not Subordinated to (I) the most senior Reference Obligation in priority of payment or, (II) if no Reference Obligation is specified in the applicable Final Terms, any unsubordinated Borrowed Money obligation of the Reference Entity provided that, if any of the events set forth under sub-paragraph (a) of the definition of Substitute Reference Obligation below has occurred with respect to all of the Reference Obligations or if with respect to the Reference Obligation one or more Successors to the Reference Entity have been identified and any one or more such Successors have not assumed the Reference Obligation (each, in each case, a **Prior Reference Obligation**) and no Substitute Reference Obligation has been identified for any of the Prior Reference Obligations at the time of the determination of whether an obligation satisfies the "Not Subordinated" Obligation Characteristic or Deliverable Obligation Characteristic, as applicable, "Not Subordinated" shall mean an obligation that would not have been Subordinated to the most senior such Prior Reference Obligation in priority of payment. For purposes of determining whether an obligation satisfies the “Not Subordinated” Obligation Characteristic or Deliverable Obligation Characteristic, the ranking in priority of payment of each Reference Obligation or each Prior Reference Obligation, as applicable, shall be determined as of the date as of which the relevant Reference Obligation or Prior Reference Obligation, as applicable, was issued or incurred and shall not reflect any change to such ranking in priority of payment after such date;

(b) **Subordination** means, with respect to an obligation (the **Subordinated Obligation**) and another obligation of the Reference Entity to which such obligation is being compared (the **Senior Obligation**), a contractual, trust or other similar arrangement providing that (i) upon the liquidation, dissolution, reorganisation or winding up of the Reference Entity, claims of the holders of the Senior Obligation will be satisfied prior to the claims of the holders of the Subordinated Obligation or (ii) the holders of the Subordinated Obligation will not be entitled to receive or retain 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 Senior Obligation. “Subordinated” will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement 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;

(2) **Specified Currency** means an obligation that is payable in the currency or currencies specified as such in the applicable Final Terms (or, if Specified Currency is specified

in the applicable Final Terms and no currency is so specified, any of the lawful currencies 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 currencies shall be referred to collectively in the applicable Final Terms as the “Standard Specified Currencies”);

- (3) **Not Sovereign Lender** means any obligation that is not primarily owed to a Sovereign or Supranational Organisation, including, without limitation, obligations generally referred to as “Paris Club debt”;
- (4) **Not Domestic Currency** means any obligation that is payable in any currency other than the Domestic Currency;
- (5) **Not Domestic Law** means any obligation that is not governed by the laws of (a) the relevant Reference Entity, if such Reference Entity is a Sovereign, or (b) the jurisdiction of organisation of the relevant Reference Entity, if such Reference Entity is not a Sovereign;
- (6) **Listed** means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange; and
- (7) **Not Domestic Issuance** means any obligation other than an obligation that was, at the time the relevant obligation was issued (or reissued, as the case may be) or incurred, intended to be offered for sale primarily in the domestic market of the relevant Reference Entity. Any obligation that is registered or 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 relevant Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity.

For the avoidance of doubt the provisions of paragraph (B) of the definition of “Deliverable Obligation” apply to “Obligations” as the context admits.

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 or default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations.

Obligation Currency means the currency or currencies in which the 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 a Reference Entity under one or more Obligations.

Observation Cut-Off Date means the later of (i) the last day of the Notice Delivery Period and (ii) either (y) the last day of the period described in subparagraph (i)(B) of the definition of Event Determination Date or, (z) the last day of the period described in sub-paragraph (ii)(B) of the definition of Event Determination Date, as applicable.

Outstanding Amount has the meaning given in Condition 10(l)(iii).

Outstanding Principal Balance means, subject as provided in sub-paragraph (4)(vi) of paragraph (B) (Interpretation of Provisions) in the definition of Deliverable Obligation:

- (a) with respect to any Accreting Obligation, the Accreted Amount thereof; and
- (b) with respect to any other obligation, the outstanding principal balance of such obligation.

Overnight Rate means, in respect of any day in an Additional Amount Period:

- (i) where the Specified Currency is EUR, a reference rate equal to the overnight rate as calculated by the European Central Bank and appearing on Reuters Page EONIA (or such other source, including any successor to such page or service, as the Calculation Agent shall determine to be appropriate) in respect of that day, if that day is a TARGET Settlement Day, or in respect of the TARGET Settlement Day immediately preceding that day if that day is not a TARGET Settlement Day; or
- (ii) where the Specified Currency is U.S.\$, a reference rate equal to the rate set forth in H.15 (519) for that day opposite the caption “Federal Funds (effective)”, as such rate is displayed on Reuters Screen FEDFUNDS1 (or such other source, including any successor to such page or service, as the Calculation Agent shall determine to be appropriate) in respect of that day if that day is a Business Day or in respect of the Business Day immediately preceding that day if that day is not a Business Day; or
- (iii) where the Specified Currency is a currency other than U.S.\$ or EUR, the Overnight Rate specified in the applicable Final Terms.

As used herein, ‘H.15 (519)’ means the weekly statistical release designated as such, or any successor publication published by the Federal Reserve System Board of Governors, available through the worldwide website of the Board of Governors of the Federal Reserve System at <http://www.bog.frb.fed.us/releases/h15>, or any successor site or publication.

Provided That with respect to any Exchangeable Obligation that is not an Accreting Obligation, “Outstanding Principal Balance” shall exclude any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities for which such obligation is exchangeable.

Parallel Auction means “Auction” as defined in the relevant Parallel Auction Settlement Terms.

Parallel Auction Cancellation Date means “Auction Cancellation Date” as defined in the relevant Parallel Auction Settlement Terms.

Parallel Auction Final Price Determination Date means “Auction Final Price Determination Date” as defined in the relevant Parallel Auction Settlement Terms.

Parallel Auction Settlement Date means “Auction Settlement Date” as defined in the relevant Parallel Auction Settlement Terms.

Parallel Auction Settlement Terms means, following the occurrence of a Restructuring, if either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable” is specified in the applicable Final Terms, any Credit Derivatives Auction Settlement Terms published by ISDA with respect to such Restructuring in accordance with the Rules, and for which the deliverable obligation terms are the same as the Deliverable Obligation provisions applicable to the Notes and the Calculation Agent determines that the related Auction would not be an Applicable Auction for the purposes of the Notes.

Partial Cash Settlement Amount, **Partial Cash Settlement Date** and **Partial Cash Settlement Notice** have the meaning given in Condition 10(n).

Partial Principal Amount has the meaning set out in Condition 10(k)(iii)(C) of these Credit Linked Conditions.

Payment Requirement means the amount specified as such in the applicable Final Terms or its equivalent in the relevant Obligation Currency or, if a Payment Requirement is not specified in the applicable Final Terms, U.S.\$1,000,000, or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency, in either case, as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.

Permitted Currency means (i) the legal tender of any Group of 7 country (or any country that becomes a member of the Group of 7 if such Group of 7 expands its membership), or (ii) the legal tender of any country which, as of the date of such change, is a member of the Organisation for Economic Co-operation and Development and has a local currency long term debt rating of either AAA or higher assigned to it by S&P or any successor to the rating business thereof, Aaa or higher assigned to it by Moody's or any successor to the rating business thereof or AAA or higher assigned to it by Fitch or any successor to the rating business thereof.

Physical Settlement Date means, subject to Condition 10(e), the last day of the longest Physical Settlement Period following the satisfaction of the Conditions to Settlement (the **Scheduled Physical Settlement Date**) Provided That if a Hedge Disruption Event has occurred and is continuing on the second Business Day immediately preceding the Scheduled Physical Settlement Date, the Physical Settlement Date shall be the earlier of (i) the second Business Day following the date on which no Hedge Disruption Event subsists and (ii) the day falling 60 Business Days following the Scheduled Physical Settlement Date.

Physical Settlement Notice has the meaning given in Condition 10(c)

Physical Settlement Matrix means the "Credit Derivatives Physical Settlement Matrix" as most recently amended or supplemented as at the Trade Date (unless otherwise specified in the Final Terms) and as published by ISDA on its website at www.isda.org (or any successor website). The Physical Settlement Matrix may be applicable to any Series of Notes (notwithstanding that the Settlement Method for such Notes may not be "Physical Settlement") where "Physical Settlement Matrix Standard Terms" are specified as applicable in the Final 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 Condition 10(e), the number of Business Days specified as such in the applicable Final Terms or, if a number of Business Days is not so specified, then, with respect to a Deliverable Obligation comprising the Asset Amount, the longest number of Business Days for settlement in accordance with then current market practice of such Deliverable Obligation, as determined by the Calculation Agent.

Postponed Maturity Date has the meaning given in Condition 10(i)(i)(IV).

Postponement Credit Event has the meaning given in Condition 10(i)(i)(D).

Potential Failure to Pay means the failure by a 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, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations, in accordance with the terms of such Obligations at the time of such failure.

Potential Repudiation/Moratorium means the occurrence of an event described in paragraph (i) of the definition of Repudiation/Moratorium.

Publicly Available Information means:

- (a) information that reasonably confirms any of the facts relevant to the determination that the Credit Event or a Potential Repudiation/Moratorium, as applicable, described in a Credit Event Notice or Repudiation/Moratorium Extension Notice has occurred and which:
 - (i) has been published in or not less than the Specified Number of Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information provided that, if either the Calculation Agent or the Issuer or any of their respective Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless either the Calculation Agent or the Issuer or any of their Affiliates is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation;
 - (ii) is information received from or published by (A) a Reference Entity or, as the case may be, a Sovereign Agency in respect of a Reference Entity which is a Sovereign or (B) a trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation; or
 - (iii) is information contained in any petition or filing instituting a proceeding described in paragraph (d) of the definition of Bankruptcy against or by a Reference Entity; or
 - (iv) is information contained in any order, decree, notice or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body.
- (b) In the event that the Calculation Agent is (i) the sole source of information in its capacity as trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for the Obligation with respect to which a Credit Event has occurred and (ii) a holder of such Obligation, the Calculation Agent shall be required to deliver to the Issuer a certificate signed by a Managing Director (or other substantially equivalent title) of the Calculation Agent, which shall certify the occurrence of a Credit Event with respect to such Obligation.
- (c) In relation to any information of the type described in paragraphs (a)(ii), (iii) and (iv) above, the Issuer may assume that such information has been disclosed to it without violating any law, agreement or understanding regarding the confidentiality of such information and that the entity disclosing 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 Issuer.
- (d) Publicly Available Information need not state:
 - (i) in relation to the definition of “Downstream Affiliate”, the percentage of Voting Shares owned, directly or indirectly, by the Reference Entity; and
 - (ii) that such occurrence:
 - (A) has met the Payment Requirement or Default Requirement;
 - (B) is the result of exceeding any applicable Grace Period; or
 - (C) has met the subjective criteria specified in certain Credit Events.

Public Source means each source of Publicly Available Information specified as such in the applicable Final Terms (or if a source is not specified in the applicable Final Terms, each of Bloomberg Service, Dow Jones Telerate Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun, Asahi Shinbun, Yomiuri Shinbun, Financial Times, La Tribune, Les Echos and The Australian Financial Review (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).

Qualifying Affiliate Guarantee means a Qualifying Guarantee provided by a Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of that Reference Entity.

Qualifying Guarantee means an arrangement evidenced by a written instrument pursuant to which a Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the **Underlying Obligation**) for which another party is the obligor (the **Underlying Obligor**). Qualifying Guarantees shall exclude any arrangement (i) structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement or (ii) pursuant to the terms of which the payment obligations of the Reference Entity can be discharged, reduced or otherwise altered or assigned (other than by operation of law) as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). The benefit of a Qualifying Guarantee must be capable of being delivered together with the Delivery of the Underlying Obligation.

Qualifying Participation Seller means any participation seller that meets the requirements specified in the applicable Final Terms. If no such requirements are specified, there shall be no Qualifying Participation Seller.

Quotation means each Full Quotation and the Weighted Average Quotation obtained and expressed as a percentage 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. 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.
- (b) (i) If “Include Accrued Interest” is specified in the applicable Final Terms in respect of Quotations, such Quotations shall include accrued but unpaid interest;

- (ii) if “Exclude Accrued Interest” is specified in the applicable Final Terms in respect of Quotations, such Quotations shall not include accrued but unpaid interest; and
- (iii) if neither “Include Accrued Interest” nor “Exclude Accrued Interest” is specified in the applicable Final Terms in respect of Quotations, the Calculation Agent shall determine based on then current market practice in the market of the Reference Obligation, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this specification or determination.

(c) If any Quotation obtained with respect to an Accreting Obligation is expressed as a percentage of the amount payable in respect of such obligation at maturity, such Quotation will instead be expressed as a percentage of the Outstanding Principal Balance for the purposes of determining the Final Price.

Quotation Amount means the amount specified as such in the applicable Final Terms (which may be specified by reference to an amount in a currency or by reference to a Representative Amount) or, if no amount is specified in the applicable Final Terms, the Aggregate Nominal Amount (or, in either case, its equivalent in the relevant Obligation Currency 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).

Quotation Dealer means a dealer in obligations of the type of Obligation(s) for which Quotations are to be obtained, including each Quotation Dealer specified in the applicable Final Terms. If no Quotation Dealers are specified in the applicable Final Terms, the Calculation Agent shall select the Quotation Dealers in its sole and absolute discretion. 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 substitute any other Quotation Dealer(s) for such Quotation Dealer(s).

Quotation Method means the applicable Quotation Method specified in the applicable Final Terms by reference to one of the following terms:

- (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.

If a Quotation Method is not specified in the applicable Final Terms, Bid shall apply.

Reference Entity means the entity or entities specified as such in the applicable Final Terms. Each Successor to a Reference Entity either (a) identified by the Calculation Agent pursuant to Condition 10(k) and the definition of “Successor” in this Condition 10(p) on or following the Trade Date or (b) identified by the Calculation Agent by reference to a public announcement by ISDA on or following the Trade Date that the relevant Credit Derivatives Determinations Committee has Resolved, in respect of a Succession Event Resolution Request Date, one or more Successors in accordance with the Rules, shall, in each case, be the Reference Entity, or if there is more than one Successor, the Reference Entities, for the purposes of the relevant Series.

Reference Entity Nominal Amount means, in respect of a Reference Entity, the amount specified as such in the applicable Final terms.

Reference Obligation means each obligation specified or of a type described as such in the applicable Final Terms (if any are so specified or described) and any Substitute Reference Obligation.

Relevant City Business Day has the meaning given to that term in the Rules.

Relevant Obligations means the Obligations constituting Bonds and Loans of the Reference Entity outstanding immediately prior to the effective date of the Succession Event, excluding any debt obligations outstanding between the Reference Entity and any of its Affiliates, as determined by the Calculation Agent. The Calculation Agent will determine the entity which succeeds to such Relevant Obligations on the basis of the Best Available Information. If the date on which the Best Available Information becomes available or is filed precedes the legally effective date of the relevant Succession Event, any assumptions as to the allocation of obligations between or among entities contained in the Best Available Information will be deemed to have been fulfilled as of the legally effective date of the Succession Event, whether or not this is in fact the case.

Relevant Proportion means an amount (expressed as a percentage) equal to the Calculation Amount divided by the initial Aggregate Nominal Amount (as at the Trade Date) of all Notes outstanding as at the relevant Event Determination Date.

Remaining Amount has the meaning set out in Condition 10(k)(iii)(C) of these Credit Linked Conditions.

Representative Amount means an amount that is representative for a single transaction in the relevant market and at the relevant time, such amount to be determined by the Calculation Agent.

Repudiation/Moratorium means the occurrence of both of the following events:

- (i) an authorised officer of a Reference Entity or a Governmental Authority:
 - (x) 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
 - (y) 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
- (ii) 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 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 (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), (i) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the date that is 60 days after the date of such Potential Repudiation/Moratorium and (B) 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 (ii) 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.

Repudiation/Moratorium Extension Condition is satisfied if:

- (i) the Calculation Agent determines that ISDA has publicly announced pursuant to a valid request that was made, in accordance with the Rules, and effectively received on or prior to the date that is fourteen 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 relevant Reference Entity and that such event occurred on or prior to the Scheduled Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) and such Resolution constitutes an Applicable Resolution; or
- (ii) otherwise by the delivery by the Calculation Agent to the Issuer of a Repudiation/Moratorium Extension Notice and, if Notice of Publicly Available Information is specified as a Condition to Settlement in the applicable Final Terms, a Notice of Publicly Available Information that are each effective on or prior to the date that is fourteen calendar days after the Scheduled Maturity Date.

In all cases, the Calculation Agent may determine that the Repudiation/Moratorium Extension Condition has not been satisfied, or is not capable of being satisfied, if, or to the extent that, ISDA publicly announces, pursuant to a valid request that was delivered in accordance with the Rules and effectively received on or prior to the date that is fourteen calendar days after the Scheduled Maturity Date, that the relevant Credit Derivatives Determinations Committee has Resolved that either (A) an event does not constitute a Potential Repudiation/Moratorium with respect to an Obligation of the relevant Reference Entity or (B) an event that constitutes a Potential Repudiation/Moratorium for purposes of the relevant Credit Derivative Transaction has occurred with respect to an Obligation of the relevant Reference Entity but that such event occurred after the Scheduled Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)).

Sub-paragraph (i) and the immediately preceding paragraph of this definition shall not apply unless the Calculation Agent determines that the relevant Resolution referred to therein constitutes an Applicable Resolution.

Repudiation/Moratorium Extension Notice means an irrevocable notice (which may be in writing (including by facsimile and/or email) and/or by telephone) from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Potential Repudiation/Moratorium that occurred on or prior to the Scheduled Maturity Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)). 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, Resolved, Resolves and Resolving means, with respect to a Credit Derivatives Determinations Committee, the making of a specific determination in accordance with the relevant Rules (and each such determination, a **DC Resolution**).

Restructured Bond or Loan means an Obligation which is a Bond or Loan and in respect of which the Restructuring that is the subject of a Credit Event Notice has occurred.

Restructuring means, 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 a Reference Entity or a Governmental Authority and a sufficient number of holders of the Obligation to bind all the holders of such Obligation or is announced (or otherwise decreed) by a Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation, and such event is not expressly provided for under the terms of such Obligation in effect as of the later of (i) the Credit Event Backstop Date and (ii) the date as of which such Obligation is issued or incurred:

- (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;
- (ii) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;
- (iii) a postponement or other deferral of a date or dates for either (x) the payment or accrual of interest or (y) the payment of principal or premium;
- (iv) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or
- (v) any change in the currency or composition of any payment of interest or principal to any currency which is not a Permitted Currency.

Notwithstanding the above provisions, none of the following shall constitute a Restructuring:

- (a) the payment in euro of interest or principal 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;
- (b) the occurrence of, agreement to or announcement of any of the events described in (i) to (v) above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and
- (c) the occurrence of, agreement to or announcement of any of the events described in (i) to (v) above in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity.

For purposes of the definition of Restructuring and Condition 10(l), the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in

the applicable Final Terms, as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Reference Entity in the initial paragraph and sub-paragraphs (i) to (v) of the definition of Restructuring and the definition of Subordination shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in the second paragraph of this definition of Restructuring shall continue to refer to the Reference Entity.

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, provided that, in circumstances where the Scheduled Maturity Date is later than the 2.5-year Limitation Date, at least one Enabling Obligation exists. 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 Maturity Restructured Bond or Loan, then the Restructuring Maturity Limitation Date will be the final maturity date of such Latest Maturity Restructured Bond or Loan.

In the event that the Scheduled Maturity Date is later than (i)(A) the final maturity date of the Latest Maturity Restructured Bond or Loan, if any, or (B) the 2.5-year Limitation Date, and, in either case, no Enabling Obligation exists or (ii) the 20-year Limitation Date, the Restructuring Maturity Limitation Date will be the Scheduled Maturity Date;

Reversal Cut-off Date has the meaning given in the definition of “Conditions to Settlement” in this Condition 10(p).

Rules means with respect to a Credit Derivatives Determinations Committee the Credit Derivatives Determinations Committees Rules published by ISDA on its website at www.isda.org (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms thereof.

Settlement Currency means the currency specified as such in the applicable Final Terms, or if no currency is specified in the applicable Final Terms, the Specified Currency of the Notes.

Settlement Date means the latest of the Auction Credit Event Redemption Date, the Credit Event Redemption Date, the Physical Settlement Date, the Delivery Date and the Partial Cash Settlement Date.

Scheduled Maturity Date means the date specified as such in the applicable Final terms.

Settlement Method means Cash Settlement, Physical Settlement or Auction Settlement as specified in the applicable Final Terms.

Single Name Credit Linked Notes means any Series of Notes in respect of which the Issuer purchases credit protection from Noteholders in respect of one Reference Entity alone.

Sovereign means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority (including without limiting the foregoing, the central bank) thereof.

Sovereign Agency means any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) of a Sovereign.

Sovereign Reference Entity means a Reference Entity determined to be a Sovereign Reference Entity by the Calculation Agent.

Sovereign Restructured Deliverable Obligation means an Obligation of a Sovereign Reference Entity (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice has occurred and (b) described by the Deliverable Obligation Category specified in the applicable Final Terms, and, subject to paragraph (3) of “(B) Interpretation of Provisions” in the definition of “Deliverable Obligation”, having each of the Deliverable Obligation Characteristics, if any, specified in the applicable Final Terms, in each case, immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring without regard to whether the Obligation would satisfy such Deliverable Obligation Category or Deliverable Obligation Characteristics after such Restructuring.

Specified Number means the number of Public Source(s) specified in the applicable Final Terms, or if no number is specified in the applicable Final Terms, two.

Substitute Reference Obligation means one or more obligations of a Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee) that will replace one or more Reference Obligations in respect of such Reference Entity, identified by the Calculation Agent in accordance with the following procedures:

- (a) In the event that:
 - (i) a Reference Obligation in respect of such Reference Entity is redeemed in whole; or
 - (ii) in the opinion of the Calculation Agent (A) the aggregate amounts due under any Reference Obligation in respect of such Reference Entity have been materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortisation or prepayments), (B) any Reference Obligation in respect of such Reference Entity 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 (C) for any other reason, other than due to the existence or occurrence of a Credit Event, any Reference Obligation in respect of a Reference Entity is no longer an obligation of such Reference Entity,

the Calculation Agent shall identify one or more Obligations to replace such Reference Obligation in respect of a Reference Entity.

- (b) Any Substitute Reference Obligation or Substitute Reference Obligations shall be an Obligation that (i) ranks *pari passu* in priority of payment with the ranking in priority of payment of each of the Substitute Reference Obligations and such Reference Obligation (with the ranking in priority of payment of such Reference Obligation being determined as of the date as of which such Reference Obligation was issued or incurred and not reflecting any change to such ranking in priority of payment after such date), (ii) preserves the economic equivalent, as closely as practicable as determined by the Calculation Agent of the delivery and payment obligations of the Issuer and (iii) is an obligation of the relevant Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if All Guarantees is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee). The Substitute Reference Obligation or Substitute Reference Obligations identified by the Calculation Agent shall, without further action, replace such Reference

Obligation or Reference Obligations. The Calculation Agent shall notify the Noteholders of any selection of a Substitute Reference Obligation or Substitute Reference Obligations, provided that a failure to give such notice shall not invalidate the selection of the Substitute Reference Obligation(s). Provided that for the purposes of this definition, where the Reference Obligation specified in the applicable Final Terms is a subordinated obligation and such obligation is redeemed in full on or prior to the Trade Date, the ranking in priority of payment of the Reference Obligation for the purposes of this definition shall be that of such Reference Obligation as of the date on which such Reference Obligation was redeemed in full.

- (c) If more than one specific Reference Obligation is identified as a Reference Obligation in respect of a Reference Entity in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to one or more but not all such Reference Obligations, and the Calculation Agent determines that no Substitute Reference Obligation is available for one or more of such Reference Obligations, each such Reference Obligation for which no Substitute Reference Obligation is available shall cease to be a Reference Obligation.
- (d) If more than one specific Reference Obligation is identified as a Reference Obligation in respect of a Reference Entity in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to all such Reference Obligations, and the Calculation Agent determines that at least one Substitute Reference Obligation is available for any such Reference Obligation, then each such Reference Obligation shall be replaced by a Substitute Reference Obligation and each Reference Obligation for which no Substitute Reference Obligation is available will cease to be a Reference Obligation.
- (e) If:
 - (i) more than one specific Reference Obligation is identified as a Reference Obligation in respect of a Reference Entity in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to all such Reference Obligations and the Calculation Agent determines that no Substitute Reference Obligation is available for any of such Reference Obligations; or
 - (ii) only one specific Reference Obligation is identified as a Reference Obligation in respect of a Reference Entity in relation to a Series, any of the events set forth in paragraph (a) above has occurred with respect to such Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for that Reference Obligation,

then the Calculation Agent shall continue to attempt to identify a Substitute Reference Obligation until the Extension Date. If (A) either (I) Cash Settlement is specified as the Settlement Method in the applicable Final Terms (or is applicable pursuant to the Fallback Settlement Method in accordance with Condition 10(d)) and the Credit Event Redemption Amount is determined by reference to a Reference Obligation or (II) either Auction Settlement or Physical Settlement is specified as the Settlement Method in the applicable Final Terms (or, in the case of Physical Settlement, is applicable pursuant to the Fallback Settlement Method in accordance with Condition 10(d)) and, in each case, the Reference Obligation is the only Deliverable Obligation and (B) on or prior to the Extension Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), a Substitute Reference Obligation has not been identified, as of the end of the day on the Extension Date (determined by

reference to Greenwich Mean Time (or, if the Transaction Type of the relevant reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), the Issuer shall redeem each Note on the Second Business Day following the Extension Date at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency.

(f) For the purposes of identification of a Reference Obligation, any change in the Reference Obligation's CUSIP or ISIN number or other similar identifier will not, in and of itself, convert such Reference Obligation into a different Obligation.

Succession Event means (i) with respect to a Reference Entity that is not a Sovereign, an event such as a merger, de-merger, consolidation, amalgamation, transfer of assets or liabilities, spin off or other similar event in which one entity succeeds to the obligations of another entity, whether by operation of law or pursuant to any agreement or (ii) with respect to a Reference Entity that is a Sovereign, an event such as an annexation, unification, secession, partition, dissolution, consolidation, reconstitution or other event that results in any direct or indirect successor(s) to such Reference Entity. Notwithstanding the foregoing, "Succession Event" shall not include an event (A) in which the holders of obligations of the Reference Entity exchange such obligations for the obligations of another entity, unless such exchange occurs in connection with a merger, demerger, consolidation, amalgamation, transfer of assets or liabilities, spin-off or other similar event or (B) with respect to which the legally effective date (or, in the case of a Reference Entity that is a Sovereign, the date of occurrence) has occurred prior to the applicable Succession Event Backstop Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)).

Succession Event Backstop Date means:

(i) if Succession Event Backstop Date is specified as "Applicable" in the applicable Final Terms, the date determined by the Calculation Agent:

(a) for the purposes of any event that constitutes a Succession Event for purposes of certain credit derivative transactions, as determined by DC Resolution the date that is 90 calendar days prior to the relevant Succession Event Resolution Request Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) provided that the Calculation Agent determines that such DC Resolution constitutes an Applicable Resolution; or

(b) otherwise, the date that is 90 calendar days prior to the earlier of (A) the date on which the Succession Event Notice is effective and (B) in circumstances where (I) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (i) and (ii) of the definition of Succession Event Resolution Request Date are satisfied in accordance with the Rules, (II) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters and (III) the Succession Event Notice is delivered by the Calculation Agent to the Issuer not more than fourteen calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Succession Event Resolution Request Date provided that the Calculation Agent determines that such DC Resolutions constitute Applicable Resolutions; or

(c) if Succession Event Backstop Date is specified as “Not Applicable” in the applicable Final Terms, the Succession Event Backstop Date shall be deemed to be the Business Day following the Trade Date.

The Succession Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention unless otherwise specified in the applicable Final Terms.

Succession Event Reference Entity has the meaning given in Condition 10(k)(iv).

Succession Event Resolution means a DC Resolution resolving, with respect to a Reference Entity, that a Succession Event has occurred.

Succession Event Resolution Request Date means, with respect to a notice to ISDA, delivered in accordance with the Rules, requesting that a Credit Derivatives Determinations Committee be convened to Resolve:

- (i) whether an event that constitutes a Succession Event for purposes of the relevant Credit Derivative Transaction has occurred with respect to the relevant Reference Entity; and
- (ii) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, (A) with respect to a Reference Entity that is not a Sovereign, the legally effective date of such event or (B) with respect to a Reference Entity that is a Sovereign, the date of the occurrence of such event,

the date, as publicly announced by ISDA, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective, provided that the Calculation Agent determines that such request and the DC Resolution constitute an Applicable Request and an Applicable Resolution.

Succession Event Notice means an irrevocable notice from the Calculation Agent (which may be in writing (including by facsimile and/or email) and/or by telephone) to the Issuer that describes a Succession Event that occurred on or after the relevant Succession Event Backstop Date (determined by reference to Greenwich Mean Time (or, if the Transaction Type of the relevant reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)).

A Succession Event Notice must contain a description in reasonable detail of the facts relevant to the determination, pursuant to the definition of Successor, of (i) whether a Succession Event has occurred and (ii) if relevant, the identity of any Successor(s). A Succession Event Notice shall be subject to the requirements regarding notices in Condition 10(s).

Successor means:

- (a) in relation to a Reference Entity that is not a Sovereign, the entity or entities, if any, determined as set forth below:
 - (i) if one entity directly or indirectly succeeds to 75 per cent. or more of the Relevant Obligations of the Reference Entity by way of a Succession Event, that entity will be the sole Successor for (a) if the Notes are not Linear Basket Notes, the entire Aggregate Nominal Amount of the Notes outstanding as at the date of the Succession Event or (b) if the Notes are Linear Basket Notes, the entire Reference Entity Nominal Amount of that original Reference Entity outstanding as at the date of the Succession Event;

- (ii) if only one entity directly or indirectly succeeds to more than 25 per cent. (but less than 75 per cent.) of the Relevant Obligations of the Reference Entity by way of a Succession Event, 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 for (a) if the Notes are not Linear Basket Notes, the entire Aggregate Nominal Amount of the Notes outstanding as at the date of the Succession Event or (b) if the Notes are Linear Basket Notes, the entire Reference Entity Nominal Amount of the original Reference Entity outstanding as at the date of the Succession Event;
- (iii) if more than one entity each directly or indirectly succeeds to more than 25 per cent. of the Relevant Obligations of the Reference Entity by way of a Succession Event, 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 (a) if the Notes are Single Name Credit Linked Notes, in respect of a portion of the Aggregate Nominal Amount of the Notes outstanding as at the date of the Succession Event, (b) if the Notes are Linear Basket Notes, in respect of a portion of the Reference Entity Nominal Amount of the original Reference Entity outstanding as at the date of the Succession Event, and (c) in respect of First-to-Default Credit Linked Notes and N^{th} -to-Default Credit Linked Notes, for the purposes of the relevant New Basket and the New Basket Notional Amount, and these Conditions and/or the applicable Final Terms will be adjusted as provided below;
- (iv) if one or more entities each directly or indirectly succeeds to more than 25 per cent. of the Relevant Obligations of the Reference Entity by way of a Succession Event, 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 Successor (a) if the Notes are Single Name Credit Linked Notes, in respect of a portion of the Aggregate Nominal Amount of the Notes outstanding as at the date of the Succession Event, (b) if the Notes are Linear Basket Notes, in respect of a portion of the Reference Entity Nominal Amount of the original Reference Entity outstanding as at the date of the Succession Event, and (c) in respect of First-to-Default Credit Linked Notes and N^{th} -to-Default Credit Linked Notes, for the purposes of the relevant New Basket and the New Basket Notional Amount, and these Conditions and/or the applicable Final Terms will be adjusted as provided below;
- (v) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than 25 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 will not be changed in any way as a result of the Succession Event; and
- (vi) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than 25 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 (or, if two or more entities succeed to an equal percentage of Relevant Obligations, the entity from among those entities which succeeds to the greatest percentage of obligations of the Reference Entity) will be the sole Successor for (a) if the Notes are not Linear Basket Notes, the entire Aggregate Nominal Amount of the Notes outstanding as at the date of the Succession Event or (b) if the Notes are Linear Basket Notes, the entire Reference Entity Nominal

Amount of the original Reference Entity outstanding as at the date of the Succession Event; and

- (b) in relation to a Sovereign Reference Entity, each entity which becomes a direct or indirect successor to such Reference Entity by way of Succession Event, irrespective of whether any such successor assumes any of the obligations of such Reference Entity, for (a) if the Notes are not Linear Basket Notes, the entire Aggregate Nominal Amount of the Notes outstanding as at the date of the Succession Event or (b) if the Notes are Linear Basket Notes, the entire Reference Entity Nominal Amount of that original Sovereign Reference Entity outstanding as at the date of the Succession Event.

For the purposes of this definition of “Successor”, **succeed** means, with respect to a Reference Entity and its Relevant Obligations (or, as applicable, obligations), that a party other than such Reference Entity (i) assumes or becomes liable for such Relevant Obligations (or, as applicable, obligations) whether by operation of law or pursuant to any agreement or (ii) issues Bonds that are exchanged for Relevant Obligations (or, as applicable, obligations), and in either case such Reference Entity is no longer an obligor (primarily or secondarily) or guarantor with respect to such Relevant Obligations (or, as applicable, obligations). The determinations required pursuant to paragraph (a) of this definition of “Successor” shall be made, in the case of an exchange offer, on the basis of the Outstanding Principal Balance of Relevant Obligations tendered and accepted in the exchange and not on the basis of the Outstanding Principal Balance of Bonds for which Relevant Obligations have been exchanged.

Where:

- (A) a Reference Obligation is specified in the applicable Final Terms; and
- (B) one or more Successors to the Reference Entity have been identified; and
- (C) any one or more such Successors have not assumed the Reference Obligation,

a Substitute Reference Obligation will be determined in accordance with the definition of “Substitute Reference Obligation” above.

Successor Reference Entity has the meaning given in Condition 10(k)(iv)

Supranational Organisation means any entity or organisation established by treaty or other arrangement between two or more Sovereigns or the Sovereign Agencies of two or more Sovereigns, and includes, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and the European Bank for Reconstruction and Development.

Surviving Reference Entity has the meaning given in Condition 10(k)(ix).

Suspension Event means the Calculation Agent determines that a public announcement has been made by ISDA that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (i) and (ii) of the definition of Credit Event Resolution Request Date are satisfied in accordance with the Rules and such announcement relates to a Reference Entity and Credit Event under the Notes.

Suspension Event Cessation Date means, with respect to a Suspension Event, the date on which the Calculation Agent determines that ISDA has publicly announced that the relevant

Credit Derivatives Determinations Committee has Resolved (i) the matters described in the definition of Suspension Event or (ii) not to determine such matters.

TARGET Settlement Day means any day on which the TARGET System is open for the settlement of payments in euro.

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

Transaction Auction Settlement Terms means, following the occurrence of a Restructuring, if either “Restructuring Maturity Limitation and Fully Transferable Obligation Applicable” or “Modified Restructuring Maturity Limitation and Conditionally Transferable Obligations Applicable” is specified in the applicable Final Terms, the Applicable Credit Derivatives Auction Settlement Terms with respect to the Auction which the Calculation Agent determines is the Applicable Auction with respect to the Notes.

Transaction Type means for the purposes of the application of the Physical Settlement Matrix to a Series of Notes where “Physical Settlement Matrix Standard Terms” is specified as applicable in the Final Terms, each Reference Entity designated as one of the following in the Final Terms:

- (a) North American Corporate;
- (b) European Corporate;
- (c) Australia Corporate;
- (d) New Zealand Corporate;
- (e) Japan Corporate;
- (f) Singapore Corporate;
- (g) Asia Corporate;
- (h) Asia Sovereign;
- (i) Emerging European & Middle Eastern Sovereign;
- (j) Japan Sovereign;
- (k) Australia Sovereign;
- (l) New Zealand Sovereign;
- (m) Singapore Sovereign;
- (n) Latin America Sovereign;
- (o) Western European Sovereign,

and any other Transaction Type which may be added to the Physical Settlement Matrix from time to time.

Undeliverable Obligation means a Deliverable Obligation included in the Asset Amount which, on the Physical Settlement Date for such Deliverable Obligation, the Calculation Agent determines for any reason (including without limitation, failure of the relevant clearance system or due to any law, regulation, court order or market conditions or the non-receipt of any requisite consents with respect to the Delivery of Loans) it is impossible or illegal to Deliver on the Physical Settlement Date.

Unwind Costs means the amount specified in the applicable Final Terms or if “Standard Unwind Costs” are specified in the applicable Final Terms, an amount determined by the Calculation Agent equal to the sum of (without duplication) all costs, fees, charges, expenses

(including loss of funding), tax and duties incurred by the Issuer and/or any of its Affiliates in connection with the redemption of the Notes and the related termination, settlement or re-establishment of any hedge or related trading position, such amount to be apportioned *pro rata* amongst each nominal amount of Notes in the Calculation Amount.

Valuation Date means:

(a) where Physical Delivery is specified as applying in the applicable Final Terms and Condition 10(n) applies, the day falling three Business Days after the Final Delivery Date; or

(b) where Cash Settlement is specified as applying in the applicable Final Terms,

if "Single Valuation Date" is specified in the applicable Final Terms, subject to Condition 10(e), the date that is the number of Business Days specified in the Final Terms (or, if the number of Business Days is not so specified, five Business Days) following the satisfaction of all Conditions to Settlement (or, if "Cash Settlement" is applicable pursuant to the Fallback Settlement Method in accordance with Condition 10(d), the date that is the number of Business Days specified in the Final Terms (or, if the number of Business Days is not so specified, five Business Days) following the relevant Auction Cancellation Date, if applicable or the relevant No Auction Announcement Date, if applicable), and

if "Multiple Valuation Dates" is specified in the applicable Final Terms, subject to Condition 10(e), each of the following dates:

(i) the date that is the number of Business Days specified in the applicable Final Terms (or, if the number of Business Days is not specified, five Business Days) following the satisfaction of all Conditions to Settlement (or, if "Cash Settlement" is applicable pursuant to the Fallback Settlement Method in accordance with Condition 10(d), the date that is the number of Business Days specified in the Final Terms (or, if the number of Business Days is not so specified, five Business Days) following the relevant Auction Cancellation Date, if applicable or the relevant No Auction Announcement Date, if applicable); and

(ii) each successive date that is the number of Business Days specified in the applicable Final Terms (or if the number of Business Days is not so specified, five 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 applicable Final Terms, the total number of Valuation Dates shall be equal to the number of Valuation Dates specified in the applicable Final 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 applicable Final Terms, Single Valuation Date shall apply.

Valuation Method:

(a) The following Valuation Methods may be specified in the applicable Final Terms for a Series with only one Reference Obligation and only one Valuation Date:

(i) **Market** means the Market Value determined by the Calculation Agent with respect to the Valuation Date; or

(ii) **Highest** means the highest Quotation obtained by the Calculation Agent with respect to the Valuation Date.

If no such Valuation Method is specified in the applicable Final Terms, the Valuation Method shall be Highest.

(b) The following Valuation Methods may be specified in the applicable Final Terms for a Series with only one Reference Obligation and more than one Valuation Date:

- (i) **Average Market** means the unweighted arithmetic mean of the Market Values determined by the Calculation Agent with respect to each Valuation Date; or
- (ii) **Highest** means the highest Quotation obtained by the Calculation Agent with respect to any Valuation Date; or
- (iii) **Average Highest** means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent with respect to each Valuation Date.

If no such Valuation Method is specified in the applicable Final Terms, the Valuation Method shall be Average Highest.

(c) The following Valuation Methods may be specified in the applicable Final Terms for a Series with more than one Reference Obligation and only one Valuation Date:

- (i) **Blended Market** means the unweighted arithmetic mean of the Market Value for each Reference Obligation determined by the Calculation Agent with respect to the Valuation Date;
- (ii) **Blended Highest** means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent for each Reference Obligation with respect to the Valuation Date;
- (iii) **Weighted Blended Market** means the weighted arithmetic mean of the Market Value for each Reference Obligation determined by the Calculation Agent with respect to the Valuation Date, such weighting to be made on such terms as the Calculation Agent determines appropriate, which may, without limitation be by reference to hedging arrangements of the Issuer and/or any of its Affiliates in respect of the Notes; or
- (iv) **Weighted Blended Highest** means the weighted arithmetic mean of the highest Quotations obtained by the Calculation Agent for each Reference Obligation with respect to the Valuation Date, such weighting to be made on such terms as the Calculation Agent determines appropriate, which may, without limitation be by reference to hedging arrangements of the Issuer and/or any of its Affiliates in respect of the Notes.

If no such Valuation Method is specified in the applicable Final Terms, the Valuation Method shall be Blended Highest.

(d) The following Valuation Methods may be specified in the applicable Final Terms for a Series with more than one Reference Obligation and more than one Valuation Date:

- (i) **Average Blended Market** means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Market

Valuation Method, the unweighted arithmetic mean of the values so determined with respect to each Valuation Date;

- (ii) **Average Blended Highest** means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Highest Valuation Method, the unweighted arithmetic mean of the values so determined with respect to each Valuation Date;
- (iii) **Weighted Average Blended Market** means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Market Valuation Method, the weighted arithmetic mean of the values so determined with respect to each Valuation Date, such weighting to be made on such terms as the Calculation Agent determines appropriate, which may, without limitation be by reference to hedging arrangements of the Issuer and/or any of its Affiliates in respect of the Notes; or
- (iv) **Weighted Average Blended Highest** means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Highest Market Valuation Method, the weighted arithmetic mean of the values so determined with respect to each Valuation Date, such weighting to be made on such terms as the Calculation Agent determines appropriate, which may, without limitation be by reference to hedging arrangements of the Issuer and/or any of its Affiliates in respect of the Notes.

If no such Valuation Method is specified in the applicable Final Terms, the Valuation Method shall be Average Blended Highest.

- (e) Notwithstanding paragraphs (a) to (d) above, if Quotations include Weighted Average Quotations or fewer than two Full Quotations, the Valuation Method shall be Market, Average Market, Blended Market or Average Blended Market, as the case may be.

Valuation Time means the time specified as such in the applicable Final Terms or, if no time is so specified, 11.00 a.m. in the principal trading market for the Reference Obligation.

Voting Shares shall mean those 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 of as large a size as available but less than the Quotation Amount (but of a size equal to the Minimum Quotation Amount or, if quotations of a size equal to the Minimum Quotation Amount are not available, quotations as near in size as practicable to the Minimum Quotation Amount) that in aggregate are approximately equal to the Quotation Amount.

(q) *Provisions taken from the ISDA supplement titled “Additional Provisions - Monoline Insurer as Reference Entity (May 2003)”*

If Condition 10(q) is specified as applicable in the applicable Final Terms, the following provisions will apply:

- (a) Obligation and Deliverable Obligation. Paragraph (a) of the definition of “Obligation” in Condition 10(p) and paragraph (a) of the definition of “Deliverable Obligation” in Condition 10(p) are hereby amended by adding “or Qualifying Policy” after “or as provider of a Qualifying Affiliate Guarantee”.

- (b) Interpretation of Provisions. In the event that an Obligation or a Deliverable Obligation is a Qualifying Policy, the terms of paragraph (B)(4) of the definition of “Deliverable Obligation” in Condition 10(p) will apply, with references to the Qualifying Guarantee, the Underlying Obligation and the Underlying Obligor deemed to include the Qualifying Policy, the Insured Instrument and the Insured Obligor, respectively, except that:
 - (i) the Obligation Category Borrowed Money and the Obligation Category and Deliverable Obligation Category Bond shall be deemed to include distributions payable under an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the Deliverable Obligation Category Bond shall be deemed to include such an Insured Instrument, and the terms “obligation” and “obligor” as used in this Condition 10 in respect of such an Insured Instrument shall be construed accordingly;
 - (ii) references in the definitions of Assignable Loan and Consent Required Loan to “the guarantor” and “guaranteeing” shall be deemed to include “the insurer” and “insuring”, respectively;
 - (iii) neither the Qualifying Policy nor the Insured Instrument must satisfy on the relevant date the Deliverable Obligation Characteristic of Accelerated or Matured, whether or not that characteristic is otherwise specified as applicable in the applicable Final Terms;
 - (iv) if the Assignable Loan, Consent Required Loan, Direct Loan Participation or Transferable Deliverable Obligation Characteristics are specified in the applicable Final Terms and if the benefit of the Qualifying Policy is not transferred as part of any transfer of the Insured Instrument, the Qualifying Policy must be transferable at least to the same extent as the Insured Instrument; and
 - (v) with respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term “Outstanding Principal Balance” shall mean the outstanding Certificate Balance and “maturity”, as such term is used in the Maximum Maturity Deliverable Obligation Characteristic, shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.
- (c) Not Contingent. An Insured Instrument will not be regarded as failing to satisfy the Not Contingent Deliverable Obligation Characteristic solely because such Insured Instrument is subject to provisions limiting recourse in respect of such Insured Instrument to the proceeds of specified assets (including proceeds subject to a priority of payments) or reducing the amount of any Instrument Payments owing under such Insured Instrument, provided that such provisions are not applicable to the Qualifying Policy by the terms thereof and the Qualifying Policy continues to guarantee or insure, as applicable, the Instrument Payments that would have been required to be made absent any such limitation or reduction. By specifying that this Condition 10(q) is applicable, no inference should be made as to the interpretation of the “Not Contingent” Deliverable Obligation Characteristic in the context of limited recourse or similar terms applicable to Deliverable Obligations other than Qualifying Policies.
- (d) Deliver. For the purposes of the definition of “Deliver” in Condition 10(p), “Deliver” with respect to an obligation that is a Qualifying Policy means to Deliver both the Insured Instrument and the benefit of the Qualifying Policy (or a custodial receipt issued by an internationally recognised custodian representing an interest in such an Insured Instrument and the related Qualifying Policy), and “Delivery” and “Delivered” will be construed accordingly.
- (e) Provisions for Determining a Successor. The paragraph commencing “For the purposes of this definition of “Successor”...” in the definition of “Successor” in Condition 10(p) is hereby amended by adding “or insurer” after “or guarantor”.

- (f) Substitute Reference Obligation. The first paragraph of the definition of "Substitute Reference Obligation" and paragraph (b) thereof in Condition 10(p) is hereby amended by adding "or Qualifying Policy" after "or as provider of a Qualifying Affiliate Guarantee". For purposes of sub-paragraph (a)(ii)(B) the definition of "Substitute Reference Obligation" references to "the Qualifying Guarantee" and the "Underlying Obligation" shall be deemed to include "the Qualifying Policy" and "the Insured Instrument", respectively.
- (g) Other Provisions. For purposes of paragraph (a)(ii) of the definition of "Deliverable Obligation" and the definitions of "Credit Event" and "Deliver" in Condition 10(p) references to "the Underlying Obligation" and "the Underlying Obligor" shall be deemed to include "Insured Instruments" and the "Insured Obligor", respectively.
- (h) Additional Definitions.

Qualifying Policy means a financial guaranty insurance policy or similar financial guarantee pursuant to which a Reference Entity irrevocably guarantees or insures all Instrument Payments of an instrument that constitutes Borrowed Money (modified as set forth in this Condition 10(q)) (the **Insured Instrument**) for which another party (including a special purpose entity or trust) is the obligor (the **Insured Obligor**). Qualifying Policies shall exclude any arrangement (i) structured as a surety bond, letter of credit or equivalent legal arrangement or (ii) pursuant to the express contractual terms of which the payment obligations of the Reference Entity can be discharged or reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than the payment of Instrument Payments). The benefit of a Qualifying Policy must be capable of being delivered together with the Delivery of the Insured Instrument.

Instrument Payments means (A) in the case of any Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, (x) the specified periodic distributions in respect of interest or other return on the Certificate Balance on or prior to the ultimate distribution of the Certificate Balance and (y) the ultimate distribution of the Certificate Balance on or prior to a specified date and (B) in the case of any other Insured Instrument, the scheduled payments of principal and interest, in the case of both (A) and (B) (1) determined without regard to limited recourse or reduction provisions of the type described in Condition 10(q)(c) above and (2) excluding sums in respect of default interest, indemnities, tax gross-ups, make-whole amounts, early redemption premiums and other similar amounts (whether or not guaranteed or insured by the Qualifying Policy).

Certificate Balance means, in the case of an Insured Instrument that is in the form of a pass- through certificate or similar funded beneficial interest, the unit principal balance, certificate balance or similar measure of unreimbursed principal investment.

- (r) *Provisions taken from the ISDA supplement titled "Additional Provisions - Monoline Insurer as Reference Entity (May 2005)"*

If Condition 10(r) is specified as applicable in the applicable Final Terms, the following provisions will apply:

- (a) Obligation and Deliverable Obligation. Paragraph (a) of the definition of "Obligation" in Condition 10(p) and paragraph (a) of the definition of "Deliverable Obligation" in Condition 10(p) are hereby amended by adding "or Qualifying Policy" after "or as provider of a Qualifying Affiliate Guarantee".
- (b) Interpretation of Provisions. In the event that an Obligation or a Deliverable Obligation is a Qualifying Policy, the terms of paragraph (B)(4) of the definition of "Deliverable Obligation" in Condition 10(p) will apply, with references to the Qualifying Guarantee, the Underlying Obligation and the Underlying Obligor deemed

to include the Qualifying Policy, the Insured Instrument and the Insured Obligor, respectively, except that:

- (i) the Obligation Category Borrowed Money and the Obligation Category and Deliverable Obligation Category Bond shall be deemed to include distributions payable under an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the Deliverable Obligation Category Bond shall be deemed to include such an Insured Instrument, and the terms “obligation” and “obligor” as used in this Condition 10 in respect of such an Insured Instrument shall be construed accordingly;
- (ii) references in the definitions of Assignable Loan and Consent Required Loan to “the guarantor” and “guaranteeing” shall be deemed to include “the insurer” and “insuring”, respectively;
- (iii) neither the Qualifying Policy nor the Insured Instrument must satisfy on the relevant date the Deliverable Obligation Characteristic of Accelerated or Matured, whether or not that characteristic is otherwise specified as applicable in the applicable Final Terms;
- (iv) if the Assignable Loan, Consent Required Loan, Direct Loan Participation or Transferable Deliverable Obligation Characteristics are specified in the applicable Final Terms and if the benefit of the Qualifying Policy is not transferred as part of any transfer of the Insured Instrument, the Qualifying Policy must be transferable at least to the same extent as the Insured Instrument; and
- (v) with respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term “Outstanding Principal Balance” shall mean the outstanding Certificate Balance and “maturity”, as such term is used in the Maximum Maturity Deliverable Obligation Characteristic, shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.

(c) Not Contingent. An Insured Instrument will not be regarded as failing to satisfy the Not Contingent Deliverable Obligation Characteristic solely because such Insured Instrument is subject to provisions limiting recourse in respect of such Insured Instrument to the proceeds of specified assets (including proceeds subject to a priority of payments) or reducing the amount of any Instrument Payments owing under such Insured Instrument, provided that such provisions are not applicable to the Qualifying Policy by the terms thereof and the Qualifying Policy continues to guarantee or insure, as applicable, the Instrument Payments that would have been required to be made absent any such limitation or reduction. By specifying that this Condition 10(r) is applicable, no inference should be made as to the interpretation of the “Not Contingent” Deliverable Obligation Characteristic in the context of limited recourse or similar terms applicable to Deliverable Obligations other than Qualifying Policies.

(d) Deliver. For the purposes of the definition of “Deliver” in Condition 10(p), “Deliver” with respect to an obligation that is a Qualifying Policy means to Deliver both the Insured Instrument and the benefit of the Qualifying Policy (or a custodial receipt issued by an internationally recognised custodian representing an interest in such an Insured Instrument and the related Qualifying Policy), and “Delivery” and “Delivered” will be construed accordingly.

(e) Provisions for Determining a Successor. The paragraph commencing “For the purposes of this definition of “Successor”...” in the definition of “Successor” in Condition 10(p) is hereby amended by adding “or insurer” after “or guarantor”.

(f) Substitute Reference Obligation. The first paragraph of the definition of “Substitute Reference Obligation” and paragraph (b) thereof in Condition 10(p) are hereby amended by adding “or Qualifying Policy” after “or as provider of a Qualifying Affiliate Guarantee”. For purposes of sub-paragraph (a)(ii)(B) the definition of “Substitute Reference Obligation” references to “the Qualifying Guarantee” and the

“Underlying Obligation” shall be deemed to include “the Qualifying Policy” and “the Insured Instrument”, respectively.

(g) Restructuring.

(i) With respect to an Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest or a Qualifying Policy with respect thereto, paragraphs (i) to (v) inclusive of the definition of “Restructuring” in Condition 10(p) are hereby amended to read as follows:

- (i) a reduction in the rate or amount or the Instrument Payments in clause (A)(x) of the definition thereof that are guaranteed or insured by the Qualifying Policy;
- (ii) a reduction in the amount of the Instrument Payments described in clause (A)(y) of the definition thereof that are guaranteed or insured by the Qualifying Policy;
- (iii) a postponement or other deferral of a date or dates for either (A) the payment or accrual of the Instrument Payments described in clause (A)(x) of the definition thereof or (B) the payment of the Instrument Payments described in clause (A)(y) of the definition thereof, in each case that are guaranteed or insured by the Qualifying Policy;
- (iv) a change in the ranking in priority of payment of (A) any Obligation under a Qualifying Policy in respect of Instrument Payments, causing the Subordination of such Obligation to any other Obligation or (B) any Instrument Payments, causing the Subordination of such Insured Instrument to any other instrument in the form of a pass-through certificate or similar funded beneficial interest issued by the Insured Obligor, it being understood that, for this purpose, Subordination will be deemed to include any such change that results in a lower ranking under a priority of payments provision applicable to the relevant Instrument Payments; or
- (v) any change in the currency or composition of any payment of Instrument Payments that are guaranteed or insured by the Qualifying Policy to any currency which is not a Permitted Currency.

(ii) Paragraph (c) of the definition of “Restructuring” in Condition 10(p) is hereby amended by adding “or, in the case of a Qualifying Policy and an Insured Instrument, where (A) the Qualifying Policy continues to guarantee or insure, as applicable, that the same Instrument Payments will be made on the same dates on which the Qualifying Policy guaranteed or insured that such Instrument Payments would be made prior to such event and (B) such event is not a change in the ranking in the priority of payment of the Qualifying Policy” after “Reference Entity”.

(iii) The definition of “Restructuring” in Condition 10(p) is hereby amended by the insertion of the following paragraph after the final paragraph thereof:

“For purposes of the definition of “Restructuring” in Condition 10(p) and if Condition 10(p) is specified as applying in the applicable Final Terms for the purposes of Condition 10 the term Obligation shall be deemed to include Insured Instruments for which the Reference Entity is acting as provider of a Qualifying Policy. In the case of a Qualifying Policy and an Insured Instrument, references to the Reference Entity in the definition of “Restructuring” shall be deemed to refer to the Insured Obligor and the reference to the Reference Entity in paragraphs (a) to (c) inclusive in the definition of “Restructuring” shall continue to refer to the Reference Entity.”

(h) Fully Transferable Obligation and Conditionally Transferable Obligation. In the event that “Fully Transferable Obligation” and/or “Conditionally Transferable Obligation” is specified as applying in the applicable Final Terms and a Fully Transferable Obligation or Conditionally Transferable Obligation is a Qualifying Policy, the

Insured Instrument must meet the requirements of the relevant definition and, if the benefit of the Qualifying Policy is not transferred as part of any transfer of the Insured Instrument, the Qualifying Policy must be transferable at least to the same extent as the Insured Instrument. References in the definition of Conditionally Transferable Obligation to the guarantor and guaranteee shall be deemed to include the insurer and insuring, respectively. With respect to an Insured Instrument in the form of a pass-through certificate or similar funded beneficial interest, the term "final maturity date", as such term is used in Condition 10(c) and the definition of "Restructuring Maturity Limitation Date", shall mean the specified date by which the Qualifying Policy guarantees or insures, as applicable, that the ultimate distribution of the Certificate Balance will occur.

- (i) Other Provisions. For purposes of paragraph (a)(ii) of the definition of "Deliverable Obligation" and the definitions of "Credit Event" and "Deliver" in Condition 10(p), references to the "Underlying Obligation" and the "Underlying Obligor" shall be deemed to include "Insured Instruments" and the "Insured Obligor", respectively.
- (j) Additional Definitions.

Qualifying Policy means a financial guaranty insurance policy or similar financial guarantee pursuant to which a Reference Entity irrevocably guarantees or insures all Instrument Payments of an instrument that constitutes Borrowed Money (modified as set forth in this Condition 10(r)) (the **Insured Instrument**) for which another party (including a special purpose entity or trust) is the obligor (the **Insured Obligor**). Qualifying Policies shall exclude any arrangement (i) structured as a surety bond, letter of credit or equivalent legal arrangement or (ii) pursuant to the express contractual terms of which the payment obligations of the Reference Entity can be discharged or reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than the payment of Instrument Payments). The benefit of a Qualifying Policy must be capable of being delivered together with the Delivery of the Insured Instrument.

Instrument Payments means (A) in the case of any Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, (x) the specified periodic distributions in respect of interest or other return on the Certificate Balance on or prior to the ultimate distribution of the Certificate Balance and (y) the ultimate distribution of the Certificate Balance on or prior to a specified date and (B) in the case of any other Insured Instrument, the scheduled payments of principal and interest, in the case of both (A) and (B) (1) determined without regard to limited recourse or reduction provisions of the type described in Condition 10(r)(c) above and (2) excluding sums in respect of default interest, indemnities, tax gross-ups, make-whole amounts, early redemption premiums and other similar amounts (whether or not guaranteed or insured by the Qualifying Policy).

Certificate Balance means, in the case of an Insured Instrument that is in the form of a pass-through certificate or similar funded beneficial interest, the unit principal balance, certificate balance or similar measure of unreimbursed principal investment.

(s) *Calculation Agent and Calculation Agent Notices*

Whenever the Calculation Agent is required to act or exercise judgment, it will do so in good faith and in a commercially reasonable manner. The Calculation Agent shall, as soon as practicable after making any determination pursuant to this Condition 10, notify the Issuer and, if required by this Condition 10, the Noteholders of such determination, provided that failure to notify the Issuer or, if applicable, the Noteholders shall not invalidate the determination. The Calculation Agent is not acting as a fiduciary for or as an advisor to the Noteholders in respect of its duties as Calculation Agent in connection with any Notes.

The determination by the Calculation Agent of any amount or of any state of affairs, circumstance, event or other matter, or the formation of any opinion or the exercise of any discretion required or permitted to be determined, formed or exercised by the Calculation Agent pursuant to this Condition 10 shall (in the absence of manifest error) be final and binding on the Issuer and the Noteholders. Whenever the Calculation Agent is required to make any determination it may, *inter alia*, decide issues of construction and legal interpretation. In performing its duties pursuant to the Notes, the Calculation Agent shall act in its sole and absolute discretion. Any delay, deferral or forbearance by the Calculation Agent in the performance or exercise of any of its obligations or its discretion under the Notes including, without limitation, the giving of any notice by it to any person, shall not affect the validity or binding nature of any later performance or exercise of such obligation or discretion, and none of the Calculation Agent and the Issuer shall, in the absence of wilful misconduct and gross negligence, bear any liability in respect of, or consequent upon, any such delay, deferral or forbearance.

In relation to the delivery by the Calculation Agent to the Issuer of any notice pursuant to this Condition 10, a notice delivered on or prior to 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day will be effective on such Calculation Agent City Business Day. A notice delivered after 4:00 p.m. (Calculation Agent City time) on a Calculation Agent City Business Day or on a day which is not a Calculation Agent City Business Day will be deemed effective on the next following Calculation Agent City Business Day, regardless of the form in which it is delivered. For purposes of the two preceding sentences, a notice given by telephone will be deemed to have been delivered at the time the telephone conversation takes place. If the notice is delivered by telephone, a written confirmation will be executed and delivered confirming the substance of that notice within one Calculation Agent City Business Day of that notice. Failure to provide that written confirmation will not affect the effectiveness of that telephonic notice.

(t) Adherence to ISDA Protocols in Relation to Alternative Settlement or Valuation Method

In the event that a protocol setting out an alternative settlement or valuation method is published by ISDA (a **Protocol**) in relation to a Reference Entity, the Calculation Agent may in its sole discretion determine whether to follow some or all of the terms of such Protocol for purposes of this Condition 10.

Notwithstanding any other provisions in this Condition 10, in the event that the Calculation Agent decides to adhere to a Protocol, the Calculation Agent may adjust such terms of this Condition 10 as it deems appropriate to reflect some or all of the relevant settlement, valuation and other provisions of the Protocol. These may include, without limitation, adjustments in relation to the determination of any Credit Event Redemption Amount, any Final Price or any Asset Amount or determining Cash Settlement rather than Physical Settlement shall apply or vice versa. Nothing in this Condition 10(t) should be taken as requiring the Calculation Agent to follow the terms of any Protocol.

(u) Adjustments following a Constraint Event

(a) Action following a Constraint Event

If Constraint Event provisions are specified as applying in the applicable Final Terms and the Calculation Agent determines that a Constraint Event has occurred or exists at any time on or prior to the Maturity Date or any other day on which any payment or delivery is due in respect of the Notes, the Issuer in its sole and absolute discretion may, subject as provided below, take the action specified in any of (i), (ii) or (iii) below:

- (i) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any one or more of the Final Redemption Amount and/or any other amount falling due and/or any other terms of these Conditions and/or the applicable Final Terms to account for such Constraint Event, and determine the effective date of that adjustment; or
- (ii) where Constraint Event Early Redemption is specified as applying in the applicable Final Terms, give notice to Noteholders in accordance with Condition 23 and redeem all, but not some only, of the Notes, at the Early Redemption Amount; or
- (iii) where Constraint Event Early Redemption is not specified as applying in the applicable Final Terms, give notice to the Noteholders (in accordance with Condition 23) and designate the Notes as “Suspended Notes” giving notice of the effective date thereof (the **Suspension Date**). The Issuer shall have no obligation to make any payment or perform any other obligation in respect of the Notes while the Notes are Suspended Notes and, subject as provided below, any such payment or other performance shall be postponed to no later than the tenth Business Day following the Cessation Date (as defined below). No additional interest or any other payment or compensation shall be due to Noteholders as a result of any such delay. The Notes shall remain Suspended Notes until the relevant Constraint Event ceases to exist and the Issuer notifies the cessation of such Constraint Event to Noteholders in accordance with Condition 23 (the effective date of such notification the **Cessation Date**) provided that if in the determination of the Calculation Agent the relevant Constraint Event continues to exist on the second anniversary of the Suspension Date (the **Suspension Cut-Off Date**), the Suspended Notes shall expire worthless and shall be cancelled by the Issuer in which case all obligations of the Issuer to the Noteholders in respect of the Notes shall be discharged and the Noteholders shall have no further recourse to the Issuer in respect of the Notes.

Without prejudice to the foregoing, following any Cessation Date the Issuer may require the Calculation Agent to determine in its sole and absolute discretion, any adjustment to one or more of the Final Redemption Amount and/or any other amount falling due and/or any other terms of these Conditions and/or the applicable Final Terms necessary or appropriate in order to determine any such amounts or other obligations due or to be performed in respect of the Notes, taking into account, without limitation, the occurrence of the relevant Constraint Event and the effect of any delay pursuant to this Condition.

If delivery of any assets is made later than the originally scheduled due date for delivery as a result of the occurrence of a Constraint Event, until delivery is made to the Noteholders, none of the Issuer, the Calculation Agent or any other person shall at any time (i) be under any obligation to deliver or procure delivery to the Noteholders or any subsequent transferee any letter, certificate, notice, circular or any other document or payment whatsoever received by that person in respect of such assets, (ii) be under any obligation to exercise or procure exercise of any or all rights (including voting rights) attaching to such assets or (iii) be under any liability to the Noteholders or any subsequent transferee in respect of any loss or damage which the Noteholders or subsequent transferees may sustain or suffer as a result, whether directly or indirectly, of that person being the legal owner of such assets until the date of delivery.

(b) **Definition of Constraint Event**

Subject as provided below, for the purposes of this Condition, **Constraint Event** means any of:

- (i) if **General Inconvertibility** is specified as applying in the applicable Final Terms, the occurrence of any event that generally makes it impossible or not reasonably practicable to convert the Local Currency into the Specified Currency in any Relevant Jurisdiction through customary legal channels;

- (ii) if **Specific Inconvertibility** is specified as applying in the applicable Final Terms, the occurrence of any event that makes it impossible or not reasonably practicable for any Reference Entity and/or any Hedging Party to convert the Local Currency into the Specified Currency in any Relevant Jurisdiction, other than where such impossibility or impracticality is due solely to the failure by such Reference Entity and/or Hedging Party to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date and it is impossible or not reasonably practicable for such Reference Entity and/or Hedging Party, due to an event beyond its control, to comply with such law, rule or regulation);
- (iii) if **General Non-Transferability** is specified as applying in the applicable Final Terms, the occurrence of any event that generally makes it impossible or not reasonably practicable to deliver (a) the Specified Currency from accounts inside any Relevant Jurisdiction to accounts outside such Relevant Jurisdiction or (b) the Local Currency between accounts inside the Relevant Jurisdiction or to a party that is a non-resident of such Relevant Jurisdiction;
- (iv) if **Specific Non-Transferability** is specified as applying in the applicable Final Terms, the occurrence of any event that makes it impossible or not reasonably practicable for any Reference Entity and/or any Hedging Party to deliver (a) the Local Currency from accounts inside any Relevant Jurisdiction to accounts outside such Relevant Jurisdiction or (b) the Local Currency between accounts inside any Relevant Jurisdiction or to a party that is a non-resident of such Relevant Jurisdiction, other than where such impossibility or impracticality is due solely to the failure by such Reference Entity and/or Hedging Party to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date and it is impossible or not reasonably practicable for such Reference Entity and/or Hedging Party, due to an event beyond its control, to comply with such law, rule or regulation);
- (v) if **Nationalisation** is specified as applying in the applicable Final Terms, any expropriation, confiscation, requisition, nationalisation or other action is taken by a Governmental Authority which deprives any Reference Entity and/or Hedging Party of all or substantially all of its assets in any Relevant Jurisdiction;
- (vi) if **Hedging Disruption** is specified as applying in the applicable Final Terms, the Issuer determines that any arrangements entered into by any Hedging Party in order to hedge the Issuer's obligations in respect of the Notes in whole or in part cannot reasonably be established, maintained or re-established; or
- (vii) if **Downgrade** is specified as applying in the applicable Final Terms, the Credit Rating in respect of any Downgrade Obligation is lower than the relevant Specified Rating or any Downgrade Obligation is no longer rated by the relevant Rating Agency. If a Downgrade Obligation no longer exists, the Calculation Agent may, in its sole and absolute determination, identify a substitute Downgrade Obligation that ranks equal in priority of payment with the Downgrade Obligation and is issued or guaranteed (as to both principal and interest or other similar payments if applicable) by the same entity as the issuer of the Downgrade Obligation immediately prior to such substitution. The Calculation Agent may make such adjustments to the Conditions and/or the applicable Final Terms to take account of any such substitution, including an adjustment in relation to the relevant Specified Rating and Rating Agency. If the Downgrade Obligation is a Reference Obligation for the purposes of this Condition 10, the Calculation Agent may, without limitation, select the relevant successor Reference Obligation determined pursuant to Condition 10 as the successor Downgrade Obligation. The Issuer shall give notice to Noteholders in accordance with Condition 23 of any such substitution and the effective date thereof.

(c) Other Relevant Definitions

For the purposes of this Condition 10(u):

Affiliate is as defined in Condition 8(e).

Credit Rating means, in relation to a Downgrade Obligation, the rating assigned to such Downgrade Obligation by the relevant Rating Agency (irrespective of whether such rating is under review with positive or negative implications).

Downgrade Obligation, in relation to a Downgrade, is as specified in the applicable Final Terms.

Hedging Party means the Issuer and/or any Affiliate and/or any other party which conducts hedging arrangements in respect of the Issuer's obligations in respect of the Notes from time to time.

Governmental Authority means any *de facto* or *de jure* government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of a Reference Entity or of the jurisdiction of organisation of a Reference Entity or of any Relevant Jurisdiction, as applicable.

Local Currency means, in relation to General Inconvertibility, Specific Inconvertibility, General Non-Transferability or Specific Non-Transferability, the currency specified as such in relation to such event in the applicable Final Terms and any successor currency as determined by the Calculation Agent.

Rating Agency, in relation to a Downgrade, is as specified in the applicable Final Terms.

Reference Entity means each Reference Entity as such term is defined in Condition 10(p).

Relevant Jurisdiction means, in relation to General Inconvertibility, Specific Inconvertibility, General Non-Transferability or Specific Non-Transferability or Nationalisation, the jurisdiction or jurisdictions specified as such in the applicable Final Terms in relation to such event and the expression Relevant Jurisdiction includes any territory or political subdivision thereof.

Specified Currency means the currency specified as such in the Final Terms.

Specified Rating, in relation to a Downgrade, is as specified in the applicable Final Terms.

11. Commodity Linked Notes

If the Notes are specified as Commodity Linked Interest Notes and/or Commodity Linked Redemption Notes in the applicable Final Terms, the provisions of this Condition 11 apply, as applicable, as modified by the applicable Final Terms.

(a) *Redemption of Commodity Linked Notes*

Unless previously redeemed or purchased and cancelled, each nominal amount of the Commodity Linked Notes equal to the Calculation Amount set out in the applicable Final Terms (the **Specified Amount**) will be redeemed by the Issuer at the Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms on the Maturity Date.

(b) *Market Disruption Events and Correction of a Commodity Reference Price*

(i) Market Disruption Events

If the Calculation Agent determines in respect of any day in respect of which a Commodity Reference Price is to be determined (each a **Commodity Valuation Date**) that a Market Disruption Event has occurred or is occurring in respect of one or more Commodities, then the Calculation Agent shall determine the Level of the relevant Commodity or Commodities on such Commodity Valuation Date, at such time and in such manner, as it considers commercially reasonable in its sole and absolute discretion, acting in good faith.

If the Calculation Agent determines that on any Commodity Business Day a Market Disruption Event has occurred or is occurring, then the Calculation Agent shall determine if such Market Disruption Event has a material effect on the Notes and, if so, (I) the Calculation Agent may make such adjustments to any of the Conditions as it considers appropriate to account for any such Market Disruption Event and determine the date(s) on which any such adjustments will be effective; or (II) the Issuer may give notice to the Noteholders in accordance with Condition 23 and redeem all, but not some only, of the Notes, each Specified Amount being redeemed at the Early Redemption Amount determined in accordance with the applicable Final Terms together with, if so specified in the applicable Final Terms, accrued interest.

(ii) Subsequent correction of a Commodity Reference Price

If Correction of Commodity Reference Price is specified as applying in the applicable Final Terms and the Commodity Reference Price of a Commodity, in relation to a Commodity Valuation Date is subsequently corrected and such correction is published by the relevant Price Source no later than the second Commodity Business Day prior to the relevant Specified Interest Payment Date (in respect of Notes specified as Commodity Linked Interest Notes in the applicable Final Terms) or the Maturity Date (in respect of Notes specified as Commodity Linked Redemption Notes in the applicable Final Terms), and in any such case the Calculation Agent has notified the Issuer within that time, then the Commodity Reference Price of that Commodity in respect of any such Commodity Valuation Date shall be the Commodity Reference Price of that Commodity as so corrected.

(iii) Notification

The Issuer shall, as soon as reasonably practicable, notify the Noteholders of the existence or occurrence of a Market Disruption Event on any day that but for the occurrence or existence of a Market Disruption Event would have been a Commodity Valuation Date in accordance with Condition 23.

(c) *Definitions applicable to Commodity Linked Notes*

Averaging Date means, subject as provided in Condition 11(b)(i) above, each date specified as an Averaging Date in the applicable Final Terms.

Commodity means each of the commodities specified in the Final Terms.

Commodity Business Day means (a) in respect of any Commodity for which the Commodity Reference Price is a price announced or published by an Exchange, a day that is (or, but for the occurrence of a Market Disruption Event, would have been) a day on which that Exchange is open for trading during its regular trading session, notwithstanding any such Exchange closing prior to its scheduled closing time; and (b) in respect of any Commodity for which the Commodity Reference Price is not a price announced or published by an Exchange, a day in respect of which the relevant Price Source published (or, but for the occurrence of a Market Disruption Event, would have published) a price.

Commodity Reference Dealers means that the price for a date will be determined on the basis of quotations provided by Reference Dealers on that date of that day's Specified Price for a unit of the relevant Commodity for delivery on the Delivery Date, if applicable. If four quotations are provided as requested, the price for that date will be the arithmetic mean of the Specified Prices for that Commodity provided by each Reference Dealer, without regard to the Specified Prices having the highest and lowest values. If exactly three quotations are provided as requested, the price for that date will be the Specified Price provided by the relevant Reference Dealer that remains after disregarding the Specified Prices having the highest and lowest values. For this purpose, if more than one quotation has the same highest value and lowest value, then the Specified Price of one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the price for the date cannot be determined.

Commodity Reference Price means, in respect of a Commodity, the price determined in accordance with the method specified in respect of such Commodity or the related Futures Contract in the Final Terms.

Commodity Underlying Event means Disappearance of Commodity Reference Price, Material Change in Formula, Material Change in Content or Tax Disruption.

Delivery Date means, in respect of a Commodity Reference Price, the Nearby Month of expiration of the relevant Futures Contract or the relevant date or month for delivery of the Commodity (which must be a date or month reported or capable of being determined from information reported in or by the relevant Price Source) as follows:

- (A) if a date is, or a month and year are, specified in the Final Terms, that date or that month and year;
- (B) if a Nearby Month is specified in the Final Terms, the month of expiration of the relevant Futures Contract; and
- (C) if a method is specified in the relevant Final Terms for the purpose of determining the Delivery Date, the date or the month and year determined pursuant to that method.

Disappearance of Commodity Reference Price means in relation to a Commodity Reference Price, (a) the permanent discontinuation of trading in the relevant Futures Contract on the relevant Exchange, (b) the disappearance of, or of trading in, the relevant Commodity or (c) the disappearance or permanent discontinuance or unavailability of a Commodity Reference Price, notwithstanding the availability of the related Price Source or the status of trading in the relevant Futures Contract or Commodity.

Exchange means the principal exchange or trading market on which the relevant Commodity or Futures Contract is traded, as specified in respect of such Commodity in the Final Terms, or if not so specified, as determined by the Calculation Agent.

Futures Contract means, in respect of a Commodity and a Commodity Reference Price, the contract for future delivery of a contract size in respect of the relevant Delivery Date relating to that Commodity specified in the Final Terms.

Level means the level, price, rate or similar indicator used to determine the value of a Commodity.

LME means London Metal Exchange Limited or its successor.

Market Disruption Event means the occurrence, with respect to any Commodity or Futures Contract, of any of Price Source Disruption, Trading Disruption or Commodity Underlying Event if so specified in the Final Terms or such other event as may be specified in the Final Terms.

Material Change in Content means, in respect of a Commodity, the occurrence since the Issue Date of a material change in the content, composition or constitution of the relevant Commodity or Futures Contract.

Material Change in Formula means, in respect of a Commodity, the occurrence since the Issue Date of a material change in the formula for or method of calculating the relevant Commodity Reference Price.

Nearby Month, when preceded by an ordinal adjective, means, in respect of a date, the month of expiration of the Futures Contract identified by that ordinal adjective, so that: (i) “First Nearby Month” means the month of expiration of the first Futures Contract to expire following that date; (ii) “Second Nearby Month” means the month of expiration of the second Futures Contract to expire following that date; and, for example, (iii) “Sixth Nearby Month” means the month of expiration of the sixth Futures Contract to expire following that date.

Price Source means, in respect of a Commodity, the publication (or such other origin of reference, including an Exchange) containing (or reporting) the Specified Price (or prices from which the Specified Price is calculated) specified in the relevant Final Terms or, if not so specified, as determined by the Calculation Agent.

Price Source Disruption means, in respect of a Commodity or Futures Contract, (i) the failure of the relevant Price Source to announce or publish the Specified Price (or the information necessary for determining the Specified Price) for the relevant Commodity Reference Price; (ii) the temporary or permanent discontinuance or unavailability of the Price Source; (iii) if the Commodity Reference Price is “Commodity Reference Dealers”, the failure to obtain at least three quotations as requested from the relevant Reference Dealers; or (iv) if a Price Materiality Percentage is specified in the relevant Final Terms, the Specified Price for the relevant Commodity Reference Price differs from the Specified Price determined in accordance with the Commodity Reference Price “Commodity Reference Dealers” by such Price Materiality Percentage.

Reference Dealers means, in respect of a Commodity for which the Commodity Reference Price is “Commodity Reference Dealers”, the four dealers specified in the Final Terms or, if dealers are not so specified, four leading dealers in the relevant market selected by the Issuer.

Specified Price means, in respect of a Commodity Reference Price, any of the following prices (which must be a price reported in or by, or capable of being determined from information reported in or by, the relevant Price Source), as specified in the relevant Final Terms (and, if applicable, as of the time so specified): (A) the high price; (B) the low price; (C) the average of the high price and the low price; (D) the closing price; (E) the opening price; (F) the bid price; (G) the asked price; (H) the average of the bid price and the asked price; (I) the settlement price; (J) the official settlement price; (K) the official price; (L) the morning fixing; (M) the afternoon fixing; (N) the fixing; (O) the spot price; or (P) any other price specified in the relevant Final Terms.

Strike Date means, subject as provided in Condition 11(b)(i) above, the date specified as the Strike Date in the applicable Final Terms.

Tax Disruption means, in respect of a Commodity, the imposition of, change in or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or

similar tax on, or measured by reference to the relevant Commodity or Futures Contract (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Issue Date, if the direct effect of such imposition, change or removal is to raise or lower the Commodity Reference Price on the day on which the Commodity Reference Price would otherwise be determined from what it would have been without that imposition, change or removal.

Trading Disruption means, in respect of the relevant Commodity, the material limitation imposed on trading or the material suspension of trading in the Commodity on the Exchange or in any additional futures contract, options contract or commodity on any exchange or principal trading market. For these purposes:

- (a) a suspension of the trading in the Futures Contract or the relevant Commodity on any Commodity Business Day shall be deemed to be material only if:
 - (i) all trading in the Futures Contract or the relevant Commodity is suspended for the entire day; or
 - (ii) all trading in the Futures Contract or the relevant Commodity is suspended subsequent to the opening of trading on the relevant day, trading does not recommence prior to the regularly scheduled close of trading in such Futures Contract or such Commodity on such day and such suspension is announced less than one hour preceding its commencement; and
- (b) a limitation of trading in the Futures Contract or the relevant Commodity on any Commodity Business Day shall be deemed to be material only if the relevant Exchange establishes limits on the range within which the price of the Commodity may fluctuate and the closing or settlement price of the Futures Contract or the Commodity on such day is at the upper or lower limit of that range.

Valuation Date means, subject as provided in Condition 11(b)(i) above, the date specified as the Valuation Date in the applicable Final Terms.

12. Government Bond Linked Notes

If the Notes are specified as Government Bond Linked Interest Notes and/or Government Bond Linked Redemption Notes in the applicable Final Terms, the provisions of this Condition 12 apply, as applicable, as modified by the applicable Final Terms.

- (a) Redemption of Government Bond Linked Notes

Unless previously redeemed or purchased and cancelled, each nominal amount of the Government Bond Linked Notes equal to the Calculation Amount set out in the applicable Final Terms (the **Specified Amount**) will be redeemed by the Issuer at the Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms on the Maturity Date.

- (b) Adjustments and Determination
 - (i) Market Disruption Events

If the Calculation Agent determines in respect of any day on which the Level of a Government Bond or related futures contract is to be determined (each a **Government Bond Valuation Date**) that a Market Disruption Event has occurred or is occurring in respect of

one or more Government Bonds or related futures contract(s), then the Calculation Agent shall determine the Level of the relevant Government Bonds(s) or related futures contract(s) on such Government Bond Valuation Date, at such time and in such manner, as it considers commercially reasonable in its sole and absolute discretion, acting in good faith.

If the Calculation Agent determines that on any Business Day a Market Disruption Event has occurred or is occurring, then the Calculation Agent shall determine if such Market Disruption Event has a material effect on the Notes and, if so, (I) the Calculation Agent may make such adjustments to any of the Conditions as it considers appropriate to account for any such Market Disruption Event and determine the date(s) on which any such adjustments will be effective; or (II) the Issuer may give notice to the Noteholders in accordance with Condition 23 and redeem all, but not some only, of the Notes, each Specified Amount being redeemed at the Early Redemption Amount determined in accordance with the applicable Final Terms together with, if so specified in the applicable Final Terms, accrued interest.

(ii) Notice

Upon the Calculation Agent making a determination pursuant to (i) above, the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 23 giving details of such determination.

(c) Definitions applicable to Government Bond Linked Notes

Averaging Date means, subject as provided in Condition 12(b)(i) above, each date (if any) specified as an Averaging Date in the applicable Final Terms.

Exchange means the exchange or quotation system specified in the applicable Final Terms or any successor to such exchange or quotation system.

Government Bond means the Government Bond (or, if more than one, each Government Bond) specified in the applicable Final Terms.

Information Source means the information source specified in the applicable Final Terms.

Level means the level, price, rate or similar indicator used to determine the value of a Government Bond or related futures contract.

Market Disruption Event means the suspension of or limitation imposed on trading either (i) on any exchange on which the relevant Government Bond(s) or any of them are traded or (ii) on any exchange on which any futures contract with respect to the Government Bond(s) or any of them are traded if, in the determination of the Calculation Agent, such suspension or limitation is material.

Reference Asset means the Reference Asset (or, if more than one, each Reference Asset) specified in the applicable Final Terms, if any.

Valuation Date means, subject as provided in Condition 12(b)(i) above, the date specified as the Valuation Date in the applicable Final Terms.

13. Fund Linked Notes

If the Notes are specified as Fund Linked Interest Notes and/or Fund Linked Redemption Notes in the applicable Final Terms, the provisions of this Condition 13 apply, as applicable, as modified by the applicable Final Terms.

(a) Redemption of Fund Linked Notes

Unless previously redeemed or purchased and cancelled, each nominal amount of the Fund Linked Notes equal to the Calculation Amount set out in the applicable Final Terms (the **Specified Amount**) will be redeemed by the Issuer at the Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms on the Maturity Date.

(b) Adjustments and Determination

(i) Trigger Events

If the Calculation Agent determines in respect of any day on which the net asset value of any Fund Shares is to be determined (each a **Fund Valuation Date**) that a Trigger Event, Potential Trigger Event or Insolvency in respect of the Fund, the Management Company or any Fund Service Provider, or any Merger Event in respect of the Fund or the Management Company has occurred or is occurring, then the Calculation Agent shall determine the net asset value of the relevant Fund Shares on such Fund Valuation Date, at such time and in such manner, as it considers commercially reasonable in its sole and absolute discretion, acting in good faith.

Following the determination by the Calculation Agent of the occurrence of any Trigger Event, Potential Trigger Event or Insolvency in respect of the Fund, the Management Company or any Fund Service Provider, or any Merger Event in respect of the Fund or the Management Company, the Calculation Agent shall notify the Issuer who shall notify the Noteholders by no later than five Business Days following the determination of such event, in accordance with Condition 23. In respect of each Trigger Event, Potential Trigger Event, Insolvency or Merger Event that has not been waived by the Issuer, following the occurrence of such an event (and regardless of whether or not such event is then continuing) the Calculation Agent may in its discretion take any of following actions (each, a **Permitted Action**):

- (a) (X) make such adjustments to any variable, calculation methodology, valuation, settlement, payment terms or any other terms and relating to the relevant Notes as the Calculation Agent determines appropriate to account for the economic effect on the relevant Notes of such Trigger Event, Potential Trigger Event, Insolvency or Merger Event and (Y) determine the effective date of the relevant adjustments; or
- (b) if specified as applicable in the applicable Final Terms, select a replacement fund (the **Replacement Fund**), which in its reasonable opinion has a similar risk profile as the Fund as determined by the Calculation Agent to replace such Fund and the appropriate date (the **Substitution Date**) for the replacement of the Fund by the Replacement Fund;

Following any such selection (i) the Replacement Fund shall replace the Fund on the Substitution Date, (ii) references herein to the name of the Fund shall be deemed to be references to the name of the Replacement Fund with effect from the Substitution Date and (iii) the Calculation Agent shall, in good faith, make such adjustment as it determines to be appropriate, if any, to any variable,

calculation methodology, valuation, settlement, payment terms or any other terms and conditions in relation to the relevant Notes to reflect such substitution;

- (c) redeem all, but not some only, of the Notes, each Specified Amount being redeemed at the Early Redemption Amount determined in accordance with the applicable Final Terms together with, if so specified in the applicable Final Terms, accrued interest; or
- (d) if “Suspension Asset” is specified as applicable in the applicable Final Terms, make such adjustments to any variable, calculation methodology, valuation, settlement, payment terms or any other terms and conditions as are necessary to reflect a notional liquidation of all of the Fund Shares (with the timing of such notional liquidations being the same timing as would be the case on an actual liquidation of Fund Shares at the relevant time) and a notional investment of the liquidation proceeds in either (i) a zero coupon bond, or equivalent, such that the amount payable at redemption of such zero coupon bond is at least an amount per Note equal to the Issue Price of the Note, (ii) commercial paper rated at least A1/P1 or above by Moody’s Investors Service, Inc. (any transaction costs that would be incurred in respect of an actual such investment may be deducted from the value of the Note) or (iii) an interest bearing deposit bearing interest at prevailing rates that would be offered by the Calculation Agent in respect of such a deposit (each a Suspension Asset) as determined by the Calculation Agent in its discretion.

Notwithstanding that the Calculation Agent may have previously determined not to take a Permitted Action or only took one Permitted Action, it shall not be prevented from subsequently or concurrently deciding to adopt an additional or different Permitted Action in respect of the same Trigger Event, Potential Trigger Event, Insolvency or Merger Event. In such respect, the Issuer may make such adjustments to any variable, calculation methodology, valuation, settlement, payment terms or any other terms and conditions of the relevant Notes as the Calculation Agent determines appropriate to account for the fact that the Permitted Action selected has been altered.

Notwithstanding anything in this Condition 13, the Calculation Agent is under no obligation to determine that a Trigger Event, Potential Trigger Event, Insolvency or Merger Event has occurred or take any or all of the Permitted Actions.

(ii) Notice

Upon the Calculation Agent making a determination pursuant to (i) above, the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 23 giving details of such determination.

(c) Definitions applicable to Fund Linked Notes

Averaging Date means, subject as provided in Condition 13(b)(i) above, each date (if any) specified as an Averaging Date in the applicable Final Terms.

Effective Date means the date on which any Hedge Position becomes effective.

Fund means, subject to adjustment or substitution (if applicable) in accordance with this Condition 13, the Fund (or, if more than one, each Fund) specified in the applicable Final Terms.

Fund Business Day means any day that is not a Saturday or a Sunday on which banks are open for general business in the jurisdictions specified in the applicable Final Terms.

Fund Prospectus means the prospectus, offering memorandum, listing particulars or other document which contains, among other things, the investment, objectives, portfolio guidelines or strategy of the relevant Fund(s) as described in the applicable Final Terms.

Fund Service Provider means any third party service provider appointed to provide services, directly or indirectly, to the Fund(s), whether or not specified in the Fund Prospectus, including but not limited to any adviser, administrator, operator, management company, depository, custodian, sub-custodian, prime broker, trustee, registrar and transfer agent or domiciliary agent.

Fund Shares means shares issued by the Fund(s) specified in the applicable Final Terms.

Hedge Position means any purchase, sale, entry into or maintenance of, one or more (i) positions or contracts in Fund Shares, securities, options, futures, derivatives or foreign exchange, (ii) securities lending transactions or (iii) other instruments or arrangements (however described) by the Issuer, the Calculation Agent or any Hedge Provider in order to hedge the Issuer's risk of entering into and performing its obligations with respect to Notes.

Hedge Provider means any Affiliate(s) and/or any other part(y)(ies) and/or any special purpose vehicle(s) holding or entering into a Hedge Position in connection with the Issuer's hedging arrangements in respect of Notes.

Information Source means the information source specified in the applicable Final Terms.

Insolvency means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Relevant Party or Fund Service Provider, (A) all the shares, units or other equity interests of that Relevant Party, respectively, are required to be transferred to a trustee, liquidator or other similar official or (B) holders of all or some of the shares, units or other equity interests of that Relevant Party or Fund Service Provider, respectively, become legally prohibited from transferring them.

Management Company means, in respect of the Fund, the investment manager of the Fund or, in respect of any publication of the net asset value of the Fund, the service provider responsible for publishing such net asset value.

Merger Event means, in respect of any relevant shares, units or interests issued by a Relevant Party, any (i) reclassification or change of such shares, units or interests that results in a transfer of or an irrevocable commitment to transfer all of such shares, units or interests outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of such Relevant Party with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Relevant Party is the continuing entity and which does not result in a reclassification or change of all of such shares, units or interests outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding shares, units or interests of such Relevant Party that results in a transfer of or an irrevocable commitment to transfer all such shares, units or interests (other than such shares, units or interests owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Fund or Management

Company, as applicable, or its subsidiaries with or into another entity in which the Fund or Management Company, as applicable, is the continuing entity and which does not result in a reclassification or change of all such shares, units or interests outstanding but results in the outstanding shares, units or interests (other than shares, units or interests owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding shares, units or interests immediately following such event.

Portfolio Guidelines means the investment guidelines, objectives and restrictions as set out in the Fund Prospectus.

Potential Trigger Event means any event or circumstance which would or may (with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing), in the determination of the Calculation Agent, constitute or cause a Trigger Event or where the Calculation Agent reasonably believes in good faith that a Trigger Event may have occurred but does not at that time have evidence thereof.

Relevant Party means, in respect of each Fund, the Fund, its Management Company or any prime broker, custodian or other service provider to the Fund.

Trigger Event means each of the following events, as determined by the Calculation Agent and/or the Issuer (as the case may be) (in the sole and absolute discretion of the Issuer or the Calculation Agent (as applicable)):

(a) **Global Events:**

- (i) The strategy/investment objective of the Fund has changed so that it is substantially different from that applicable at the Effective Date or, if applicable, the Substitution Date (as the case may be), or any material change in the underlying nature, strategy or risk of the Fund's portfolio, over and above that expected with respect to the trading strategies employed.
- (ii) The Calculation Agent is not satisfied that the Fund is being managed in accordance with its rules or in accordance with the description of the Fund's strategy/investment/portfolio objectives contained in the relevant Fund Prospectus prepared in connection with the marketing of the Fund, and the Management Company, any Fund Service Provider or director of the Fund has failed to take any action satisfactory to the Calculation Agent within five Business Days from the date on which such change occurred with a view towards correcting such change.
- (iii) The currency of denomination of the Fund Shares is amended so that the net asset value of the Fund Shares is no longer calculated in the same currency as at the Effective Date or, if applicable, Substitution Date, as the case may be.
- (iv) The activities of the Fund or the Management Company, or any Fund Service Provider and/or any of their respective directors, officers, employees or agents are placed under review or investigation by any administrative or regulatory authority or court of competent jurisdiction and/or are subject to any charges or actions by any

administrative or regulatory authority for reasons of wrongdoing, suspected wrongdoing, alleged engagement in fraudulent activities, breach of any rule or regulation or other similar reason and/or the Fund or the Management Company, or any Fund Service Provider and/or any of their respective directors, officers, employees or agents have any of their respective registrations, authorisations, licences or memberships with any administrative or regulatory authorities revoked, suspended, terminated, limited or qualified.

- (v) Written notification by the Management Company to holders of Fund Shares, or to the administrator of the Fund, that it believes it is not advisable to continue operation of the Fund because it is not economically prudent to do so or the strategy/investment/portfolio objectives of the Fund cannot be met in the foreseeable future, or for similar reasons or the Fund ceasing to trade or a petition is made for the winding-up, dissolution or liquidation of the Fund.
- (vi) The Fund, the Management Company or any Fund Service Provider becomes party to any litigation or dispute which the Calculation Agent considers material.
- (vii) Any security granted by the Fund, the Management Company or any Fund Service Provider over any of their assets is enforced or becomes capable of being enforced or any arrangement which in the determination of the Calculation Agent is comparable to security over any such assets (including without limitation any repo or prime brokerage arrangement) becomes enforceable or capable of early termination or any derivatives, repo, securities lending or other trading or dealing arrangement relating to the assets of the Fund becomes enforceable or terminable early by reason of any event of default (howsoever described) relating to the Fund, the Management Company or any Fund Service Provider.
- (viii) The Calculation Agent determines that the operation or organisation of the Fund or the Management Company (including, without limitation, its organisational structure and its procedures, processes or policies in respect of investment selection, due diligence, asset allocation, risk management or investment monitoring) has changed from that at the Effective Date or, if applicable, the Substitution Date, as the case may be, or that any such procedures, processes or policies are either not being applied or are not being applied consistently with their application on the Effective Date or, if applicable, the Substitution Date, as the case may be.
- (ix) Any event or change affecting any of the structure, ownership, management, reputation or solvency of the Fund and/or any units in the capital of the Fund and/or the Management Company and/or any Fund Service Provider that the Calculation Agent does not pre-approve in writing and which is likely to have a significant impact on the value of the net asset value of the Fund Shares immediately or thereafter which the Calculation Agent determines is material.

- (x) The Fund, the Management Company or any Fund Service Provider has experienced or is experiencing a material adverse change, as determined by the Calculation Agent, in its business, assets, operations or financial condition.
- (xi) Any material amendments, changes, modifications or variations made to any of the material terms and conditions, contents of the Fund Prospectus or investment guidelines of the Fund (including a material change in the liquidity of the Fund) that has not been previously agreed with the Issuer and which could be detrimental to the Issuer.
- (xii) Any event occurs which, in the opinion of the Calculation Agent, causes or will, with the passage of time, cause the failure of the Management Company and/or the Fund and/or any Fund Service Provider to meet or maintain any material obligation or undertaking under the Fund's statutory and operating documents.
- (xiii) There is a reduction in the number of Fund Shares, or there is a reduction in the number of Fund Shares held for the account of any investor in the Fund for reasons beyond the control of that investor which the Calculation Agent considers material.
- (xiv) The Calculation Agent determines that the Issuer, its Affiliates or any Hedge Provider is or may in the future be unable, or that it may be difficult or impractical for any such entity to perform any obligation imposed on any such entity by the law or regulation of any relevant jurisdiction, including, without limitation, any regulatory reporting obligation, any relevant regulatory or administrative body or court of competent jurisdiction by reason of its investment in Fund Shares.
- (xv) Any circumstances affecting the availability of Fund Shares to any actual holder of Fund Shares as a result of which the Calculation Agent determines that if the Issuer, any of its Affiliates or any Hedge Provider were such holder, it would be unable to hedge its position with respect to the Notes on terms comparable to those applicable on the Effective Date.
- (xvi) A cross-contamination or other failure effectively to segregate the portfolio of assets occurs between different series, classes and/or sub-funds in relation to the Fund (if the Fund is part of an umbrella structure with more than one sub-fund).
- (xvii) Significant market, trading or exchange disruption and/or crisis in the major financial markets.

(b) **Net Asset Value and Reporting:**

- (i) The Management Company (a) fails to calculate the net asset value of the Fund Shares for three consecutive days on which it was scheduled, in accordance with the rules of the Fund or the description contained in the Fund Prospectus or (b) makes any change to the methodology used for calculating either the net asset value of the

Fund Shares or any estimate of the net asset value of the Fund Shares or (c) fails to calculate and publish the net asset value of the Fund Shares with the frequency set out in the Fund Prospectus or (d) fails to calculate and deliver any estimate of its net asset value to the Issuer or an Affiliate of the Issuer or a Hedge Provider in accordance with such timing as it has previously provided such information.

- (ii) The Fund, the Management Company or any Fund Service Provider amends the time delay between calculation of the net asset value (or any estimated net asset value) of the Fund Shares and the publication of such net asset value (or estimated net asset value) so that it is no longer the same as set out in the Fund Prospectus, or the Fund, the Management Company or any Fund Service Provider fails to publish any other information relating to the Fund to be published in accordance with its rules or the Fund Prospectus or fails to publish such information in accordance with the timetable therefor set out in its rules or in the Fund Prospectus.
- (iii) The audited net asset value of the Fund Shares is in the determination of the Calculation Agent materially different from the related net asset value previously published by the Fund, or the auditors of the Fund qualify any audit report, or refuse to provide an unqualified audit report, in respect of the Fund or any net asset value published by the Fund, or the Calculation Agent considers that the net asset value of the Fund or of any sub-fund held by the Fund, in respect of any calculation date, does not reflect the net asset value of such fund as it would have been determined by the independent auditors of that fund using generally accepted accounting standards in the appropriate jurisdiction, unless the Calculation Agent receives the net asset value information in satisfactory form within 10 Fund Business Days of the date it was originally due.
- (iv) The decline in assets under management of the Fund since the Effective Date or, if applicable, the Substitution Date, as the case may be, is greater than 50 per cent., as determined by the Calculation Agent.
- (v) The Calculation Agent has not received from the Fund, the Management Company or any Fund Service Provider or director of the Fund, any reports, including but not limited to, risk reporting and/or financial reporting and/or audit reporting, required by the Calculation Agent in connection with the relevant Notes within any agreed time scale or has received, in the opinion of the Calculation Agent, erroneous reporting, unless cured within such period as may be agreed from time to time between the Calculation Agent and the Fund or the Management Company, or any director of the Fund or Fund Service Provider.

(c) **Fund Shares:**

Any of the following events relating to the Fund Shares:

- (i) a subdivision, reclassification or distribution of Fund Shares which has a diluting or concentrative effect on the theoretical value of the Fund Shares;
- (ii) a (A) dividend (including cash and whether ordinary or extraordinary), (B) distribution or (C) issue of Fund Shares, capital, securities, rights or other assets or interests to existing holders of Fund Shares which has or, in the opinion of the Calculation Agent, is likely to have an effect on the value of the Fund Shares;
- (iii) a call by the Fund in respect of Fund Shares that are not fully paid;
- (iv) any suspension or limitation on the trading of the relevant currencies in which the Fund Shares are denominated.

(d) Trading:

- (i) The Issuer, its Affiliates or any Hedge Provider would be required to pay or would otherwise incur (a) a subscription fee in respect of a purchase of Fund Shares or (b) a redemption fee in respect of a sale of Fund Shares (as the case may be) of the Fund in relation to their hedging activities in respect of the relevant Notes.
- (ii) Any material suspension of or limitation imposed on trading of the Fund or on trading in the Fund Shares or any relevant currencies in which the Fund Shares are denominated (for any reason, including, without limitation, by reason of liquidity restrictions) or any dealing request made by any investor or prospective investor in the Fund is deferred in whole or in part or is made at a value other than the related net asset value.
- (iii) The failure of trading to commence, or the permanent discontinuation of trading of the Fund or in the Fund Shares.
- (iv) The Issuer, its Affiliates or any Hedge Provider would be obliged (whether by the Management Company or otherwise) to redeem all or some of the Fund Shares that it is holding in relation to its hedging activities in respect of the relevant Notes.
- (v) If, in the determination of the Calculation Agent, the Issuer would incur a materially increased (as compared with circumstances existing on the Issue Date) amount of tax, duty, expense, fee or funding spread to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the price risk relating to the Fund Shares of entering into and performing its obligations with respect to the relevant Notes or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s).
- (vi) The Fund or the Management Company amends the frequency at which Fund Shares can be traded so that it is no longer the same as set out in the Fund Prospectus or amends the timing for subscription or redemption of Fund Shares, including, without limitation, the timetable for payment of redemption proceeds upon redemption.

- (vii) The Calculation Agent determines that if the Issuer or any of its Affiliates were to redeem Fund Shares, such person would not (i) receive full proceeds of such redemption in cash in accordance with the redemption proceeds timing set out in the Fund Prospectus or (ii) receive any in-kind distribution in full or part satisfaction of the redemption proceeds paid or payable to it.
- (viii) The occurrence of any of the following: (i) a devaluation generally of, or decrease in liquidity in respect of, investments in any market in which the Fund is invested; (ii) a lack of availability of interbank funding to the Issuer, any of the Issuer's Affiliates or any Hedge Provider at a commercially reasonable rate for the purposes of acquiring or maintaining a position in the Fund Shares; or (iii) any other market restrictions or events that have an adverse effect on the value of the Fund Shares, or on the ability of the Issuer, any of the Issuer's Affiliates or any Hedge Provider to hedge its exposure in connection with the relevant Notes, as determined by the Calculation Agent in its discretion.
- (ix) Any agreement, whether by way of side letter or otherwise, in respect of any hedging arrangement entered into between the Issuer and the Fund, or the Management Company, any Fund Service Provider or the directors of the Fund, which the Calculation Agent is advised, to its reasonable satisfaction, to be unenforceable.

(e) **Management Company and Fund Service Provider Failures:**

- (i) The Management Company indicates or acknowledges that in its opinion the strategy/investment/portfolio objectives of the Fund will not be, or are no longer able to be, met or the Management Company proposes or recommends the liquidation, dissolution or discontinuance of the Fund.
- (ii) Failure by the Management Company or any Fund Service Provider to (a) submit redemption notices, enter into subscription agreements, or take other action, in each case, within five Fund Business Days from the date on which a breach of the Portfolio Guidelines occurred, with a view towards curing such breach or (b) actually cure any breach of the parameters of the Portfolio Guidelines on the date on which the relevant breach of the Portfolio Guidelines occurred.
- (iii) The Calculation Agent is unable, or it is impracticable for the Calculation Agent, to promptly obtain any information in relation to the business, assets, operations or financial condition of the Fund, the Management Company or any Fund Service Provider which the Calculation Agent deems necessary for any determinations, including, but not be limited to, determinations in respect of the breach of any parameter of the Portfolio Guidelines and the occurrence of any Trigger Event or in the execution of its duties and obligations under the relevant Notes.

- (iv) Other than in connection with a market disruption, a failure by the Fund, the Management Company or any Fund Service Provider to submit redemption notices to the entities in which the Fund invests as and when required to begin the redemption process.
- (v) Failure by the Management Company to take action satisfactory to the Calculation Agent and within a prompt timescale satisfactory to the Calculation Agent so as to have cured within such time period as may be agreed to from time to time between the Calculation Agent and the Fund or the Management Company any breach of any representations, covenants and agreements under the investment management agreement relating to the Fund.
- (vi) Resignation by the Management Company as investment manager of the Fund or any Fund Service Provider, or termination or other change of the Management Company as investment manager or other Fund Service Provider or any change in the personnel of the Management Company or any Fund Service Provider, which the Calculation Agent considers material.
- (vii) The Management Company increases its management fee or incentive fee charged to the Fund in an amount that the Calculation Agent determines is material.
- (viii) The Management Company, the Fund or any Fund Service Provider or director of the Fund fails to provide the Calculation Agent with adequate information as may be required to determine the occurrence of a Trigger Event.
- (ix) Failure by the Fund and/or the Management Company or any Fund Service Provider or director of the Fund to notify or disclose to the Issuer, on the Effective Date, any information, event or circumstance that was in existence on such date and which the Calculation Agent determines is material.
- (x) The Management Company ceases to exist or trade or a petition is made for the winding-up, dissolution or liquidation of the Management Company.

(f) Service Provider Failures:

Any Fund Service Provider or the Management Company resigns or their relationship with the Fund or the Management Company, as applicable, is otherwise terminated and the Calculation Agent considers that such resignation or termination (as the case may be) is material, or such party is bankrupt, insolvent, wound-up, liquidated, dissolved, ceases to exist or otherwise ceases to continue to perform its duties.

(g) Regulatory Constraints:

- (i) There is any change in the regulatory or tax treatment applicable with respect to the Fund, the Management Company or Fund Service Provider which, in the determination of the Calculation Agent, could

have an economic impact for the Issuer, its Affiliates or any Hedge Provider as a holder of an interest in the Fund, as the case may be, or could materially adversely affect the carrying out of the strategy/investment objective of the Fund or could result in the Fund, the Management Company or any Fund Service Provider incurring additional costs which, in the determination of the Calculation Agent, would be material.

- (ii) The Issuer deems it necessary or appropriate, in order for it or any of its Affiliates or any Hedge Provider to comply with or remain within any applicable legal and/or regulatory limits on the amounts of Fund Shares that it or they may hold, to redeem all or some of the Fund Shares.
- (iii) The Calculation Agent determines that the Issuer, its Affiliates or any Hedge Provider is or may in the future be unable, or that it may be difficult or impractical for any such entity to perform any obligation imposed on it by the law or regulation of any relevant jurisdiction, including, without limitation, any regulatory or accounting reporting obligation, any relevant regulatory or administrative body or court of competent jurisdiction by reason of its investment in Fund Shares.

(h) **Hedge Provider:**

- (i) A material decline in the creditworthiness of a party with whom the Issuer has entered into any relevant hedging transaction (a Relevant Hedging Transaction) in respect of the Issuer's obligations in connection with the Notes.
- (ii) The general unavailability of:
 - (a) market participants who will agree to enter into a Relevant Hedging Transaction; or
 - (b) market participants who will so enter into a Relevant Hedging Transaction on commercially reasonable terms.
- (i) **General:** Any other event which, in the discretion of the Calculation Agent, has an analogous effect to any of the events specified in this Condition 13.

Valuation Date means, subject as provided in Condition 13(b)(i) above, the date specified as the Valuation Date in the applicable Final Terms.

14. Inflation Index Linked Notes

If the Notes are specified as Inflation Index Linked Interest Notes and/or Inflation Index Linked Redemption Notes in the applicable Final Terms, the provisions of this Condition 14 apply, as applicable, as modified by the applicable Final Terms.

(a) **Redemption of Inflation Index Linked Notes**

Unless previously redeemed or purchased and cancelled, each nominal amount of the Inflation Index Linked Notes equal to the Calculation Amount set out in the applicable Final Terms (the **Specified Amount**) will be redeemed by the Issuer at the Final Redemption

Amount specified in, or determined in the manner specified in, the applicable Final Terms on the Maturity Date.

(b) Adjustments and Determination

(i) Modification and Discontinuation of the Inflation Index

If the Inflation Index is not published in a timely manner before any calculation is to be made, all relevant calculations will be determined by the Calculation Agent in its sole and absolute discretion by reference to the most recent value of the Inflation Index published in respect of a month prior to the relevant Inflation Fixing Month, adjusted in accordance with standard market methodologies, as determined by the Calculation Agent.

If the Inflation Index is discontinued or altered in the opinion of the Calculation Agent, the Issuer will use such other inflation index deemed appropriate by it or determine a substitute Inflation Index level in its sole and absolute discretion.

If, at any time, the Inflation Index is revised to a new base, the Calculation Agent, acting in its sole and absolute discretion, will make any necessary adjustments to ensure that the economic equivalent of the Notes is preserved.

In each of the above cases, (I) the Calculation Agent may make such adjustments to any of the Conditions as it considers appropriate to account for any event and determine the date(s) on which any such adjustments will be effective; or (II) the Issuer may give notice to the Noteholders in accordance with Condition 23 and redeem all, but not some only, of the Notes, each Specified Amount being redeemed at the Early Redemption Amount determined in accordance with the applicable Final Terms together with, if so specified in the applicable Final Terms, accrued interest.

(ii) Notice

Upon the Calculation Agent making a determination pursuant to (i) above, the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 23 giving details of such determination.

(c) Definitions applicable to Inflation Index Linked Notes

Averaging Date means, subject as provided in Condition 14(b)(i) above, each date (if any) specified as an Averaging Date in the applicable Final Terms.

Index Sponsor means, in relation to an Inflation Index, the entity that announces (directly or through an agent) the level of such Inflation Index or any successor index sponsor.

Inflation Fixing Months means the months specified in the applicable Final Terms for which the level of the Inflation Index was reported, regardless of when this information is published or announced or if the period for which it is reported is a period other than a month then Inflation Fixing Month is the month at the end of such period.

Inflation Index means, subject to adjustment in accordance with this Condition 14, the Inflation Index (or, if more than one, each the Inflation Index) specified in the applicable Final Terms.

Information Source means the information source specified in the applicable Final Terms.

Valuation Date means, subject as provided in Condition 14(b)(i) above, the date specified as the Valuation Date in the applicable Final Terms.

15. Certificate Linked Notes

If the Notes are specified as Certificate Linked Interest Notes and/or Certificate Linked Redemption Notes in the applicable Final Terms, the provisions of this Condition 15 apply, as applicable, as modified by the applicable Final Terms.

(a) Redemption of Certificate Linked Notes

Unless previously redeemed or purchased and cancelled, each nominal amount of the Certificate Linked Notes equal to the Calculation Amount set out in the applicable Final Terms (the **Specified Amount**) will be redeemed by the Issuer at the Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms on the Maturity Date.

(b) Adjustments and Determination

(i) Market Disruption Events

If the Calculation Agent determines in respect of any day on which the price of a Certificate is to be determined (each a **Certificate Valuation Date**) that a Market Disruption Event has occurred or is occurring in respect of one or more Certificates, then the Calculation Agent shall determine the price of the relevant Certificate(s) on such Certificate Valuation Date, at such time and in such manner, as it considers commercially reasonable in its sole and absolute discretion, acting in good faith.

If the Calculation Agent determines that on any Business Day a Market Disruption Event has occurred or is occurring, then the Calculation Agent shall determine if such Market Disruption Event has a material effect on the Notes and, if so, (I) the Calculation Agent may make such adjustments to any of the Conditions as it considers appropriate to account for any such Market Disruption Event and determine the date(s) on which any such adjustments will be effective; or (II) the Issuer may give notice to the Noteholders in accordance with Condition 23 and redeem all, but not some only, of the Notes, each Specified Amount being redeemed at the Early Redemption Amount determined in accordance with the applicable Final Terms together with, if so specified in the applicable Final Terms, accrued interest.

(ii) Notice

Upon the Calculation Agent making a determination pursuant to (i) above, the Issuer shall give notice as soon as practicable to Noteholders in accordance with Condition 23 giving details of such determination.

(c) Definitions applicable to Certificate Linked Notes

Averaging Date means, subject as provided in Condition 15(b)(i) above, each date (if any) specified as an Averaging Date in the applicable Final Terms.

Certificate means the Certificate (or, if more than one, each Certificate) specified in the applicable Final Terms.

Exchange means the exchange or quotation system specified in the applicable Final Terms or any successor to such exchange or quotation system.

Information Source means the information source specified in the applicable Final Terms.

Market Disruption Event means the suspension of or limitation imposed on trading either (i) on any exchange on which the Underlying is listed and/or traded or (ii) on any exchange on which any futures, forward or options contract with respect to the Underlying are listed and/or traded if, in the determination of the Calculation Agent, such suspension or limitation is material.

Valuation Date means, subject as provided in Condition 15(b)(i) above, the date specified as the Valuation Date in the applicable Final Terms.

16. Additional Disruption Events

(a) *Definitions*

Additional Disruption Event means any of Change in Law, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Insolvency Filing and/or Loss of Stock Borrow, in each case if specified in the applicable Final Terms.

Change in Law means that, on or after the Trade Date (as specified in the applicable Final Terms) (A) due to the adoption of or any change in any applicable 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 applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that (X) it has become illegal to hold, acquire or dispose of Hedging Positions or (Y) 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 and/or any of its Affiliates).

Hedging Disruption means that the Issuer and/or any of its Affiliates is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) the Issuer 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).

Hedging 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 instructions or arrangements (howsoever described) by a party in order to hedge, individually or on a portfolio basis, the Notes.

Hedging Shares means the number of Underlying Equities (in the case of Equity Linked Notes) or securities/commodities comprised in an Index (in the case of Index Linked Notes) that the Issuer deems necessary to hedge the equity or other price risk of entering into and performing its obligations with respect to the Notes.

Increased Cost of Hedging means that the Issuer and/or any of its Affiliates would incur a materially increased (as compared with circumstances existing on the 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) the Issuer 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 that the Issuer and/or any of its Affiliates would incur a rate to borrow any Underlying Equity (in the case of Equity Linked Notes) or any security/commodity comprised in an Index (in the case of Index Linked Notes) that is greater than the Initial Stock Loan Rate.

Initial Stock Loan Rate means, in respect of an Underlying Equity (in the case of Equity Linked Notes) or a security/commodity comprised in an Index (in the case of Index Linked Notes), the rate which the Issuer and/or any of its Affiliates would have incurred to borrow such Underlying Equity or such security/commodity, as the case may be, as of the Trade Date, as determined by the Issuer.

Insolvency Filing means that an Equity Issuer institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgement of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the Equity Issuer shall not be deemed an Insolvency Filing.

Loss of Stock Borrow means that the Issuer and/or any Affiliate is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) any Underlying Equity (in the case of Equity Linked Notes) or any securities/commodities comprised in an Index (in the case of Index Linked Notes) in an amount equal to the Hedging Shares at a rate equal to or less than the Maximum Stock Loan Rate.

Maximum Stock Loan Rate means, in respect of an Underlying Equity (in the case of Equity Linked Notes) or a security/commodity comprised in an Index (in the case of Index Linked Notes), the lowest rate at which the Issuer and/or any of its Affiliates, after using commercially reasonable efforts, would have incurred to borrow (and maintain a borrowing of) such Underlying Equity or such security/commodity, as the case may be, in an amount equal to the Hedging Shares, as of the Trade Date, as determined by the Issuer.

(b) *Occurrence of Additional Disruption Events*

If an Additional Disruption Event occurs, the Issuer may take the action described in (i) or (ii) below:

- (i) require the Calculation Agent to determine the appropriate adjustment, if any, to be made to any one or more of the Final Redemption Amount and/or the Rate of Interest and/or the Interest Amount(s) and/or the Asset Amount and/or the Strike Price and/or any of the other terms of these Conditions and/or the applicable Final Terms to account for the Additional Disruption Event including (in respect of Equity Linked Notes) (unless "Equity Substitution" is specified as not applying in the applicable Final Terms) the substitution of the Substituted Equity the subject of the Additional Disruption Event by a New Equity and determine the effective date of that adjustment; or
- (ii) give notice to the Noteholders in accordance with Condition 23 and redeem all, but not some only, of the Notes, each Specified Amount being redeemed at the Early

Redemption Amount (determined in accordance with the applicable Final Terms) together with, if so specified in the applicable Final Terms, accrued interest.

If the provisions of Condition 9(b) apply, the Calculation Agent may (in respect of Equity Linked Notes) (but need not) determine the appropriate adjustment by reference to the adjustment in respect of the relevant Additional Disruption Event, made by an options exchange to options on the Underlying Equities traded on that options exchange.

In making any determination in respect of any such adjustment, the Issuer and/or Calculation Agent shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such determination for individual Noteholders, Receiptholders or Couponholders (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 subdivision thereof and the Issuer and/or Calculation Agent shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Calculation Agent, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such determination upon individual Noteholders, Receiptholders or Couponholders.

Upon the occurrence (if applicable) of an Additional Disruption Event, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 23 stating the occurrence of the Additional Disruption Event, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

17. Taxation

The Issuer will not be obliged to gross up any payments in respect of the Notes and will not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer or presentation and surrender for payment of any Note and all payments made by the Issuer shall be made subject to any tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

18. Prescription

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 4(b) or any Talon which would be void pursuant to Condition 4(b).

Claims against the Issuer for delivery of any Asset Amount shall be prescribed and become void unless made within one year of the date on which the relevant Asset Amount becomes deliverable.

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 Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes, or the Trustee on or prior to such due date) the date on which, the full amount of such moneys having been so received, notice to that effect is given to the Noteholders in accordance with Condition 23.

19. Events of Default

The Trustee at its discretion may, and, if so requested in writing by the holders of at least one-fifth in nominal amount of the Notes of any Series then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) of the holders of the Notes of any Series then outstanding, shall (subject to its being indemnified or secured to its satisfaction), (subject, in the case of the happening of any of the events mentioned in sub-paragraph (ii) below, to the Trustee having certified in writing to the Issuer that the happening of such event is, in its opinion, materially prejudicial to the interests of holders of the Notes of that Series) give notice to the Issuer that the Notes of that Series are, and they shall accordingly thereby immediately become, due and repayable if any of the following events occurs and is continuing:

- (i) if default is made for a period of seven days or more in the payment of any principal or for a period of 14 days or more in the payment of any interest due in respect of the Notes of that Series or any of them or if default is made for a period of seven days in the delivery of any Asset Amount due in respect of the Notes of that Series or any of them; or
- (ii) if the Issuer fails to perform or observe any of its other obligations under the Notes of that Series or the Receipts and Coupons (if any) relating thereto or the Trust Deed and (except in the case of a failure to observe a payment or delivery obligation under the terms thereof) such failure continues for a period of 30 days after written notice thereof has been given by the Trustee to the Issuer requiring the same to be remedied; or
- (iii) if an order is made or an effective resolution is passed for the winding up, dissolution or liquidation of the Issuer (except in any such case for the purposes of a merger, reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the holders of the Notes of the relevant Series).

Unless otherwise specified in the applicable Final Terms, Notes which become due and repayable pursuant to this Condition 19 shall be repaid by the Issuer at the relevant Early Redemption Amount (determined in accordance with Condition 5(d)) together with, if so specified in the applicable Final Terms, accrued interest.

At any time after the Notes of any Series or any of them shall have become immediately due and repayable and have not been repaid the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce repayment thereof together with accrued interest and to enforce the provisions of the Trust Deed and these Conditions, but it shall not be bound to institute any such proceedings unless (x) it shall have been so directed by an Extraordinary Resolution of the holders of Notes of such Series or so requested in writing by the holders of at least one-fifth in nominal amount of the Notes of such Series then outstanding and (y) it shall have been indemnified or secured to its satisfaction. No holder of Notes of any Series or the Receipts or Coupons relating thereto shall be entitled to proceed against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

20. Replacement of Notes, Receipts, Coupons and Talons

Should any Note (including any Global Note), Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent or, as the case may be, the Registrar upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

21. Agent, Registrar and Paying Agents and Calculation Agent determination

The names of the initial Agent and the other initial Paying Agents and their initial specified offices are set out below and the name and initial specified office of the initial Registrar are set out below if this is a Registered Note.

The Issuer is entitled, subject to the approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and/or the Registrar and/or appoint additional or other Paying Agents and/or other Registrars and/or approve any change in the specified office through which any Paying Agent and/or the Registrar acts, provided that:

- (a) there will at all times be an Agent and a Paying Agent, which may be the Agent (other than in respect of Notes cleared through CREST);
- (b) if, and so long as, Bearer Notes are listed on any stock exchange, there will at all times be a Paying Agent, which may be the Agent, with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange; and
- (c) there will at all times be a Registrar which, so long as Registered Notes are listed on any stock exchange, will have a specified office in each location required by the rules and regulations of the relevant stock exchange; and
- (d) the Issuer will, so far as reasonably practicable, ensure that it maintains a Paying Agent in a member state of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with or introduced in order to conform to such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 4(d). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 23.

In acting under the Agency Agreement, the Agent, the other Paying Agents and the Registrar will act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee, and do not assume any obligations or relationships of agency or trust to or with the Noteholders, Receiptholders and Couponholders, except that (without affecting the obligations of the Issuer to the Noteholders, Receiptholders and Couponholders to repay Notes and pay interest thereon) funds received by the Agent, any other Paying Agent or the relevant Registrar for the payment of any sums due in respect of the Notes shall be held by them in trust for the Noteholders and/or Receiptholders and/or Couponholders until the expiration of the relevant period of prescription under Condition 18. The Agency Agreement contains provisions for the indemnification of the Paying Agents and the relevant Registrar and for their relief from responsibility in certain circumstances, and entitles any of them to enter into business transactions with the Issuer without being liable to account to the Noteholders, Receiptholders or Couponholders for any resulting profit.

In acting under the Registry Services Agreement, the relevant Registrar will act solely as agent of the Issuer and, in certain circumstances specified therein, of the Trustee, and does not assume any obligations or relationships of agency or trust to or with the Noteholders, except that (without affecting the obligations of the Issuer to Noteholders, to repay Notes and pay interest thereon) funds received by such Registrar for the payment of any sums due in respect of the Notes shall be held by them in trust for the relevant Noteholders.

All discretions exercised and calculations and determinations made in respect of the Notes by the Calculation Agent shall be made in its sole and absolute discretion and in good faith and shall (save in the case of manifest error) be final, conclusive and binding on the Issuer, the Agent, any other Paying Agent, the relevant Registrar, the Noteholders, the Receiptholders and the Couponholders.

22. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may (subject to Condition 18) be surrendered at the specified office of the Agent or any other Paying Agent outside the United States in exchange for a further Coupon sheet, including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Bearer Note to which it appertains) a further Talon. Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

23. Notices

- (a) All notices regarding the Bearer Notes of any Series shall be validly given if published in a leading English language daily newspaper of general circulation in London (which is expected to be the *Financial Times*). The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of the Bearer Notes of any Series in accordance with this Condition.

All notices to holders of Registered Notes (other than Registered Notes cleared through CREST) will be valid if mailed to their registered addresses appearing on the register. All notices to holders of Registered Notes cleared through CREST will be valid if delivered to the Registrar for communication by them to the relevant Noteholders. Any such notice shall be deemed to have been given on the third day after the day on which it was mailed. In addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange so require, a copy of such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Bearer Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

- (b) Subject to the provisions of Condition 23(c) below, notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent or the

Registrar, as the case may be. Whilst any of the Bearer Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

(c) Notwithstanding the provisions of Condition 23(b) above, if "Notices to the Issuer" is specified as applying in the applicable Final Terms, notices to be given by any Noteholder to the Issuer regarding the Notes will be validly given if delivered in writing to the Issuer as specified in the applicable Final Terms. Any such notice shall be deemed to have been given on the day when delivered or, if delivered after 5.00 p.m. in the place of location of the Issuer on an Issuer Business Day or if delivered in the place of location of the Issuer on a day which is not an Issuer Business Day, will be deemed effective on the next following Issuer Business Day. In the case of Bearer Notes, the relevant Noteholder must provide satisfactory evidence to the Issuer of its holding of Bearer Notes which, so long as the Bearer Notes are represented by a Global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, is expected to be in the form of certification from Euroclear and/or Clearstream, Luxembourg, as the case may be.

Issuer Business Day means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the Issuer Business Centre specified in the applicable Final Terms.

24. Meetings of Noteholders, Modification, Waiver and Substitution of Principal Debtor

The Trust Deed contains provisions for convening meetings of Noteholders (or the holders of the Notes of any one or more Series) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Conditions of the Notes of any one or more Series or the provisions of the Trust Deed. Such a meeting may be convened by the Trustee, the Issuer or the Trustee upon the request of Noteholders holding not less than ten per cent, in nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being remaining outstanding. The quorum at any such meeting convened to consider a resolution proposed as an Extraordinary Resolution is two more persons holding or representing a clear majority in nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders (or, as the case may be, holders of the Notes of the relevant one or more Series) whatever the nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding so held or represented, except that at any meeting the business of which includes the modification of certain of the Conditions of the Notes (or, as the case may be, the Notes of the relevant one or more Series) (including postponing the date of maturity of such Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or Asset Amount or the rate of interest payable in respect of such Notes, varying the method of calculating the Asset Amount, the rate of interest or reducing the minimum or maximum rate of interest on the Notes, altering the currency of payment of the Notes and the Receipts and Coupons relating thereto or modifying the majority required to pass an Extraordinary Resolution) or certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding. An Extraordinary Resolution duly passed at any meeting of the Noteholders (or, as the case may be, all the

holders of the Notes of the relevant one or more Series) shall be binding on all the Noteholders (or, as the case may be, holders of the Notes of the relevant one or more Series), whether or not they are present at the meeting, and on all holders of Receipts and Coupons relating to the relevant Notes.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders (or, as the case may be, the holders of the Notes, Receipts or Coupons of the relevant one or more Series), to:

- (a) any modification (subject to certain exceptions as provided in the Trust Deed) of the Conditions of the Notes (or, as the case may be, the Notes of any one or more Series), the Receipts and Coupons relating thereto or of the provisions of the Trust Deed which in its opinion is not materially prejudicial to the interests of the Noteholders (or, as the case may be, the holders of the Notes of the relevant one or more Series); or
- (b) any modification of the Conditions of the Notes (or, as the case may be, the Notes of the relevant one or more Series), the Receipts and Coupons relating thereto or the provisions of the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or an error which is, in the opinion of the Trustee, proven or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders (or, as the case may be, the holders of the Notes, Receipts or Coupons of the relevant one or more Series) and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders (or, as the case may be, the holders of the Notes of the relevant one or more Series) in accordance with Condition 23 as soon as practicable thereafter.

The Trustee may also waive or authorise any breach or proposed breach of the Conditions of the Notes (or, as the case may be, the Notes of any one or more Series) or the provisions of the Trust Deed in relation to such Notes which, in its opinion, is not materially prejudicial to the interests of the holders of the Notes of the relevant Series.

The Trustee may also agree, subject to the conditions set out in the immediately following sentence and to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders, the Receiptholders or the Couponholders of the relevant Series of Notes, to the substitution of the Holding Company or of a subsidiary of the Issuer in place of the Issuer as principal debtor under the Notes, the Receipts and the Coupons of any Series and under the Trust Deed in relation to such Notes, Receipts and Coupons. Such agreement shall only be granted if, *inter alia*, (i) the obligations of such substituted principal debtor thereunder are guaranteed by the Issuer on a basis acceptable to the Trustee and (ii) the Trustee is satisfied that such substitution is not materially prejudicial to the interests of the Noteholders, the Receiptholders and the Couponholders of such Series. The Trustee may further agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders, the Receiptholders and the Couponholders of the relevant Series of Notes, to the substitution, in place of the Issuer as principal debtor under the Notes, the Receipts and the Coupons of any Series and under the Trust Deed in relation to such Notes, Receipts and Coupons, of a Successor in Business (as defined in the Trust Deed).

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or substitution), the

Trustee shall have regard to the general interests of the Noteholders (or the Noteholders of the relevant one or more Series, as the case may be) as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (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 Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders.

25. Further Issues

The Issuer shall be at liberty from time to time without the consent of the relevant Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as (or the same in all respects save for the Issue Date, Interest Commencement Date and Issue Price), and so that the same shall be consolidated and form a single Series with, the outstanding Notes of a particular Series. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes of each Series in certain circumstances where the Trustee so decides.

26. Indemnification

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and/or any of its subsidiaries without accounting for any profit resulting therefrom and to act as Trustee for the holders of any other securities issued by the Issuer.

27. Contracts (Rights of Third Parties) Act 1999

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

28. Governing Law and Submission to Jurisdiction

The Trust Deed, the Agency Agreement, the Registry Services Agreement, the Notes, the Receipts and the Coupons are governed by English law.

The Issuer has submitted to the jurisdiction of the English courts in the Trust Deed and has appointed the Issuer's London office at the date hereof situated at Fifth Floor, 280 Bishopsgate, London EC2M 4RB as its agent for service of process in England.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer to fund its general banking business. If in respect of any particular issue of Notes, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

UNITED KINGDOM TAXATION

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating to certain aspects of United Kingdom taxation. Some aspects do not apply to certain classes of person (such as dealers and persons connected with the Issuer) to whom special rules may apply. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

1. *Payments of interest on the Notes*

Provided the Issuer continues to be a bank within the meaning of section 991 of the Income Tax Act 2007 (the *Act*), and provided that the interest on the Notes is paid in the ordinary course of its business within the meaning of section 878 of the *Act*, the Issuer should be entitled to make payments of interest on the Notes without withholding or deduction for or on account of United Kingdom income tax.

Payments of interest on the Notes may also be made without withholding or deduction for or on account of United Kingdom income tax provided that the Notes are and continue to be listed on a “recognised stock exchange” within the meaning of section 1005 of the *Act*. The London Stock Exchange is a recognised stock exchange for these purposes. Notes will be treated as listed on the London Stock Exchange if they are included in the Official List by the United Kingdom Listing Authority and admitted to trading by the London Stock Exchange. Provided, therefore, that the Notes are and remain so listed, interest on the Notes will be payable without withholding or deduction for or on account of United Kingdom tax whether or not the Issuer carries on a banking business in the United Kingdom and whether or not the interest is paid in the ordinary course of its business.

Interest on the Notes may also be paid without withholding or deduction for or on account of United Kingdom tax where the maturity of the Notes is less than 365 days and the Notes are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of one year or more.

Interest on the Notes may also be paid without withholding or deduction for or on account of United Kingdom income tax where, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HM Revenue & Customs 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.

In 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%). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HM Revenue & Customs can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Noteholders who are individuals may wish to note that HM Revenue & Customs has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the

benefit of an individual. HM Revenue & Customs also has power to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Notes which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of an individual. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by HM Revenue & Customs with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes. However, in relation to amounts payable on the redemption of such Notes, HM Revenue & Customs published practice indicates that it will not exercise its power to obtain information where such amounts are paid or received on or before 5 April 2011.

2. *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income, member states of the European Union (EU) are required to provide to the tax authorities of another member state of the EU details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident or certain other persons established in that other member state. However, for a transitional period, Luxembourg and Austria may instead (unless during that period they elect otherwise) impose a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

3. *Stamp Duty and Stamp Duty Reserve Tax (SDRT)*

The United Kingdom stamp duty and SDRT analysis applicable to the transfer of a particular series of Notes will depend on the precise terms and conditions of those Notes. The following summary of the stamp duty and SDRT treatment of the transfer of Notes assumes that transfers of Bearer Notes will only take place either by delivery or by book-entry within Euroclear or Clearstream, Luxembourg and that Registered Notes may be issued into CREST but will not be issued into Euroclear or Clearstream, Luxembourg or any other clearance service or depository receipt system and will be transferred outside Euroclear and Clearstream, Luxembourg, either through CREST or under an instrument of transfer. It also assumes that Notes will only be repaid in their currency of issue.

(a) Bearer Notes

Generally, no stamp duty will be payable on the issue of Bearer Notes or on any transfer by delivery. In relation to Bearer Notes which are denominated in Sterling and which are not loan capital, a charge to stamp duty at 1.5% of the value of such Notes will arise on issue. For these purposes, a Note would be loan capital if the holder has the right in all circumstances to be paid on redemption an amount equal to substantially all of the amount subscribed for the Note, either with or without an additional amount that may be payable on redemption. In addition, it is likely that HM Revenue & Customs would regard a Note as loan capital even if there is no guarantee that the holder will receive on redemption an amount equal to all or substantially all of the amount subscribed for the Note. This will, however, depend on the Final Terms relating to the Note.

No SDRT will be payable on the issue of Bearer Notes which are denominated in Sterling into Euroclear or Clearstream, Luxembourg. No SDRT will be payable on the issue of Bearer Notes which are denominated in a currency other than Sterling into Euroclear or Clearstream, Luxembourg on the assumption that the Bearer Notes are issued for cash and do not carry any

rights to acquire shares or other securities. Applying the reasoning of the ECJ in the case of *HSBC Holdings plc and Vidacos Nominees Ltd v HMRC* (Case C-569/07), SDRT should not in any event be payable in relation to the issue of Bearer Notes into Euroclear, Clearstream, Luxembourg or any other clearance service within the EU. However, it is possible that HM Revenue & Customs may dispute whether the ECJ's reasoning should be applied in this way or might amend the United Kingdom stamp duty and/or SDRT regime.

SDRT will generally not be payable in relation to agreements to transfer Bearer Notes within Euroclear or Clearstream, Luxembourg, unless the relevant clearance service has made an election under Section 97A Finance Act 1986, in which case SDRT may be payable (at the rate of 0.5%) on the transfer of unlisted Bearer Notes denominated in a currency other than Sterling or on the transfer of Bearer Notes which carry rights to convert into, or acquire, shares or other securities to which such election applies (subject to the exceptions referred to in (c) below).

SDRT may be payable (at the rate of 0.5%) on any agreement to transfer unlisted Bearer Notes denominated in a currency other than Sterling or Bearer Notes which carry rights to convert into, or acquire, shares or other securities (subject to the exceptions referred to in (c) below).

(b) Registered Notes

No stamp duty or SDRT will be payable in respect of the issue of Registered Notes, including where such Notes are issued into CREST, provided they are not issued into Euroclear or Clearstream, Luxembourg or any other clearance service or depository receipt system.

Depending on the terms of the Registered Notes, an instrument transferring Registered Notes on the sale of such Registered Notes may be subject to stamp duty at the rate of 0.5% of the consideration paid for the Registered Notes (subject to the exceptions referred to in (c) below). Where the transfer of Registered Notes is subject to stamp duty, the stamp duty is normally the liability of the purchaser. SDRT will also be payable (generally at the rate of 0.5% of the consideration paid (subject to the exceptions referred to in (c) below)) on transfers within CREST or on any agreement to transfer the Registered Notes. However, if the stamp duty is paid within the period of six years beginning with the date of the agreement, the SDRT liability will be cancelled.

(c) Exceptions

None of the charges to stamp duty or SDRT charges discussed above will arise in relation to Notes the terms of which are such that they are exempt from all stamp duties on transfer and which are therefore not chargeable securities. Notes will be exempt from stamp duty and will not be chargeable securities if they: constitute "loan capital" of the Issuer; are not convertible or exchangeable into (or for) or otherwise carry a right to acquire other shares or securities; do not carry a right to interest which either exceeds a reasonable commercial return on the nominal amount of the Notes or is determined to any extent by reference to the results of or part of any business or to the value of any property (unless it would only be so chargeable by reason only that (i) the right is to interest which either (a) reduces in the event of the results of a business or part of a business improving or the value of any property increasing or (b) increases in the event of the results of a business or part of a business deteriorating or the value of any property diminishing or (ii), the instrument transferring the Notes is a capital market instrument (meaning an instrument transferring a capital market investment issued as part of a capital market arrangement (both as defined in Schedule 2A to the Insolvency Act 1986)) and the capital market investment concerned carries or has carried a right to interest which ceases or reduces if, or to the extent that, the Issuer, after meeting or providing for

other obligations specified in the capital market arrangement concerned, has insufficient funds available from that capital market arrangement to pay all or part of the interest otherwise due); and, do not carry a right to a premium on redemption which is not reasonably comparable with the redemption premium generally payable (in respect of a similar nominal amount of capital) under the terms of issue of loan capital listed in the Official List of the London Stock Exchange.

(d) Physical settlement

Stamp duty or SDRT may be payable in respect of the transfer of an asset on settlement of a Physically Settled Note.

SUBSCRIPTION AND SALE

In respect of each Tranche of Notes issued under the Programme a Dealer and/or a Distributor may, by entering into a purchase agreement, agree with the Issuer the basis upon which it agrees to purchase Notes. Any such agreement will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes" above.

(a) United States of America

The Notes have not been and will not be registered under 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 except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

The Issuer or, as the case may be, each Dealer and Distributor of an issue will represent and agree that it has not offered, sold or delivered and will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the Issuer or, as the case may be, the relevant Dealer or Distributor or, in the case of an issue of Notes on a syndicated basis the relevant lead Dealer, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. The Issuer or, as the case may be, each Dealer or Distributor of an issue will agree that it will send to each Dealer or Distributor to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by the Issuer or any Dealer or Distributor (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each issue of Index Linked Notes, Equity Linked Notes, Credit Linked Notes, Currency Linked Notes, Commodity Linked Notes, Government Bond Linked Notes, Fund Linked Notes, Inflation Index Linked Notes or Certificate Linked Notes will be subject to such additional U.S. selling restrictions as the Issuer and any Dealer and/or any Distributor may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms. The Issuer or, as the case may be, each Dealer or Distributor of an issue will agree that it will offer, sell or deliver such Notes only in compliance with such additional U.S. selling restrictions.

(b) European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each Dealer and each Distributor of an

issue will represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant 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 that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (i) if the Final Terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a Non-exempt Offer), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the specified in such prospectus or Final Terms, as applicable;
- (ii) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (iii) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (iv) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (v) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive,

provided that no such offer of Notes referred to in (ii) to (v) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3(2) of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of Notes to the public in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

(c) United Kingdom

Each Dealer has represented and agreed that:

- (i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not

offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA would not, if the Issuer were not an authorised person, apply to the Issuer; and
- (ii) it has complied with and will comply with all applicable provisions of the FSMA (and all rules and regulations made pursuant to the FSMA) with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

(d) Japan

The Notes have not been, and will not be, registered under the Financial Instruments and Exchange Act of Japan (the **Financial Instruments and Exchange Law**) and Notes will not be offered or sold, directly or indirectly, in Japan or to, or for the 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 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 Law and any other applicable laws, regulations and ministerial guidelines of Japan.

(e) France

Each Dealer and each Distributor of an issue will represent and agree that:

- (i) it has only made and will only make an offer of Notes to the public in France (i) on or after the date of publication of a prospectus in relation to those Notes approved by the *Autorité des marchés financiers* (AMF), or, (ii) on the period beginning on the date of notification to the 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, on the date of notification of such approval to the AMF, 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 such publication;
- (ii) otherwise, it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in France to (i) providers of investment services relating to portfolio management for the account of third parties, and/or (ii) qualified investors (*investisseurs qualifiés*) acting for their own account all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

(f) Switzerland

The Notes may not be publicly offered, sold, advertised, distributed or re-distributed, directly or indirectly, in or from Switzerland (as such term is defined or interpreted under the Swiss Code of Obligations). Neither this Prospectus nor any documents related to the Notes constitute a prospectus in the sense of article 652a or article 1156 of the Swiss Code of Obligations. The Issuer has not applied for a listing of the Notes on the SIX Swiss Exchange AG or any other regulated securities market in Switzerland, and consequently, the information presented in this Prospectus does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange AG. In addition, the Notes may not be offered and distributed by means of public advertising in or from Switzerland, as such term is defined or interpreted under the Swiss Collective Investment Schemes Act (**CISA**). The Notes do not constitute a participation in a collective investment scheme in the meaning of the CISA and they are neither subject to approval nor supervision by the Swiss Federal Banking Commission. Therefore, investors in the Notes do not benefit from protection under CISA or supervision by the Swiss Federal Banking Commission.

(g) Hong Kong

Each Dealer and each Distributor of an issue will represent and agree, that:

- (a) it has not offered or sold, and will not offer or sell, in Hong Kong Special Administrative Region of the People's Republic of China (**Hong Kong**) by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies 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 any advertisement, invitation or document relating to the Notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws in 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" within the meaning of the Securities and Futures Ordinance (Cap. 571) and any rules made thereunder.

(h) The People's Republic of China

Each Dealer and each Distributor of an issue will represent and agree that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes in the People's Republic of China (excluding Hong Kong, Macau and Taiwan, the **PRC**) as part of the initial distribution of the Notes.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC to any person to whom it is unlawful to make the offer or solicitation in the PRC.

The Issuer does not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in the PRC, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer which would permit a public offering of any Notes or distribution of

this document in the PRC. Accordingly, the Notes are not being offered or sold within the PRC by means of this Prospectus or any other document. Neither this Prospectus nor any advertisement or other offering material may be distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations.

(i) The Republic of China (Taiwan)

The Notes may be made available from outside Taiwan for purchase by investors residing in Taiwan (either directly or through properly licensed Taiwan intermediaries acting on behalf of such investors), but may not be offered or sold in Taiwan.

(j) The Republic of Korea (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 Securities and Exchange Act. 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 pursuant to the applicable laws and regulations of Korea, including the Securities and Exchange Act and the Foreign Exchange Transaction Act and the decrees and regulations thereunder. For a period of one year from the issue date of the Notes, no holder of the Notes who is in Korea or a resident of Korea may transfer the Notes in Korea or to any resident of Korea unless such transfer involves all of the Notes held by it. 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 the government report requirements under the Foreign Exchange Transaction Act and its subordinate decrees and regulations) in connection with the purchase of the Notes.

(k) Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the **Securities and Futures Act**). Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Notes may not be circulated or distributed, nor may Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person pursuant to Section 275(1) of the Securities and Futures Act, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) 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,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the Securities and Futures Act except:

- (i) to an institutional investor (for corporations, under Section 274 of the Securities and Futures Act) or to a relevant person as defined in Section 275(2) of the Securities and Futures Act, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than 200,000 Singapore dollars (or its equivalent in foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the Securities and Futures Act;
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law.

(I) General

With regard to each issue of Notes, any Dealer and/or Distributor will be required to agree to comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the Notes or possesses or distributes this Prospectus or any other offering material and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, any Dealer and any Distributor shall have responsibility therefor.

None of the Issuer, any Dealer and any Distributor represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, any Dealer and any Distributor will be required to comply with such other restrictions as shall be set out in the relevant Final Terms.

GENERAL INFORMATION

Authorisation

The establishment and updating of the Programme and the issue of Notes under the Programme have been duly authorised by (i) resolutions of the Board of Directors of the Issuer dated 30 October 2002, 28 January 2004, 16 February 2005, 22 June 2005, 9 November 2006, 13 August 2007 and 12 December 2007; (ii) resolutions of a Committee of the Board of Directors of the Issuer dated 30 October 2002, 11 March 2004, 28 June 2005, 11 May 2006, 3 May 2007, 14 August 2007, 17 December 2007, 14 May 2008 and 13 May 2009; and (iii) resolutions of a Sub-committee of the Group Asset and Liability Management Committee on behalf of the Board of Directors of the Issuer dated 22 April 2010. The increase in the aggregate nominal amount of the Programme to its current maximum size of U.S.\$50,000,000,000 was authorised by a resolution of the Board of Directors of the Issuer dated 12 December 2007.

Listing

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 the Market. The listing of the Programme in respect of Notes is expected to be granted on or about 28 April 2010.

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche 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 applicable Final Terms and any other information required by the UK Listing Authority or any other relevant authority, subject only to the issue of a Global Note or Notes initially representing the Notes of such Tranche. 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.

Documents Available

For the period of twelve months from the date of this Prospectus, copies of the following documents will, when published, be available for inspection during normal business hours at the registered office of the Issuer and at the specified offices of each of the Paying Agents for the time being:

- (i) the constitutional documents of the Issuer;
- (ii) the audited consolidated annual financial statements of the Issuer for each of the financial years ended 31 December 2008 and 31 December 2009, in each case together with the audit reports prepared in connection therewith;
- (iii) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements (if any) of the Issuer, in each case together with any audit or review reports prepared in connection therewith;
- (iv) the Trust Deed (which contains the forms of the temporary and permanent Global Notes, the definitive Notes, the Receipts, the Coupons and the Talons) and the Agency Agreement (which, for the avoidance of doubt, shall not be available for

inspection at the specified office of the Registrar in respect of Registered Notes cleared through CREST);

(v) the form of transfer in respect of Registered Notes (other than Registered Notes cleared through CREST); and

(vi) in the case of each issue of listed Notes subscribed pursuant to a Purchase Agreement, the Purchase Agreement (or equivalent document).

In addition, copies of the Registry Services Agreement will be made available for inspection during normal business hours at the registered office of the Registrar in respect of Registered Notes cleared through CREST.

Copies of this Prospectus, any supplementary prospectuses, any documents incorporated by reference in this Prospectus and each Final Terms relating to Notes which are either admitted to trading on the Market or offered to the public in the United Kingdom in circumstances where a prospectus is required to be published under the Prospectus Directive, will be available, free of charge, during normal business hours from the registered office of the Issuer and from the specified offices of each of the Paying Agents for the time being (other than any Final Terms relating to Registered Notes cleared through CREST) and from the specified office of the relevant Registrar (other than any Final Terms not relating to Registered Notes for which that Registrar has been appointed) and will be available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/en-gb/pricesnews/marketnews/>.

Copies of each Final Terms relating to Notes which are either admitted to trading on any other regulated market in the European Economic Area or offered in any other Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, will be available in accordance with Article 14(2) of the Prospectus Directive and the rules and regulations of the relevant regulated market. Copies of each Final Terms relating to any other Notes will be available to a holder of such Notes from the registered office of the Issuer and from the specified offices of each of the Paying Agents for the time being (other than any Final Terms relating to Registered Notes, which will be made available from the specified office of the relevant Registrar) only upon production of evidence (if required) satisfactory to the Issuer and/or the relevant Paying Agent and/or the relevant Registrar as to the identity of such holder.

Clearing Systems

The applicable Final Terms will specify through which clearing system(s) a Tranche of Notes may be cleared. Bearer Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and Registered Notes (in respect of which the applicable Final Terms specify that the Notes may be cleared through CREST) have been accepted for clearance through CREST (which are the entities in charge of keeping the records). As applicable, the appropriate codes for each Tranche of Bearer Notes allocated by Euroclear and Clearstream, Luxembourg and each Tranche of Registered Notes cleared through CREST, respectively, will be contained in the applicable Final Terms. If the Bearer Notes are to be cleared through an additional or alternative clearing system, the appropriate information will be contained in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

The address of CREST is Euroclear UK and Ireland Limited 33 Cannon Street, London EC4M 5SB.

Conditions for determining price

The issue price and amount of Notes to be issued under the Programme will be determined at the time of issue in accordance with then prevailing market conditions.

Post-issuance information

Unless otherwise specified in the applicable Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any issues of Note.

THE ISSUER

| | |
|---------------------------------------|---------------------------------------|
| <i>Registered Office</i> | <i>Principal Office</i> |
| The Royal Bank of Scotland plc | The Royal Bank of Scotland plc |
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(Municipality of Niederanven)
Luxembourg

REGISTRAR

(for Registered Notes other than those cleared through CREST)

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(Municipality of Niederanven)
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(for Registered Notes cleared through CREST)

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DEALER AND ARRANGER

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