

## IMPORTANT NOTICE

**IMPORTANT: You must read the following disclaimer before continuing.** The following disclaimer applies to the base prospectus attached to this electronic submission (the Prospectus), and you are advised to read this disclaimer page carefully before reading, accessing or making any other use of the Prospectus. In accessing the attached Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information as a result of such access. You acknowledge that you will not forward this electronic submission or the attached Prospectus to any other person.

**NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. NEITHER THE SECURITIES NOR THE GUARANTEE HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.**

**THE FOLLOWING PROSPECTUS AND ITS CONTENTS ARE CONFIDENTIAL AND MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS PROHIBITED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.**

**Confirmation of your Representation:** You have been sent this Prospectus on the basis that you have confirmed to the relevant Dealers (as defined in the Programme Agreement), being the senders of the attached that: (i) you have understood and agree to the terms set out herein, (ii) you consent to the delivery of this Prospectus by electronic transmission, (iii) you are either (a) not a U.S. person (within the meaning of Regulation S under the Securities Act 1933), and are not acting for the account or benefit of any U.S. person, and that the electronic mail address you have given to us is not located in the United States, its territories and possessions, or (b) a person that is a "Qualified Institutional Buyer" within the meaning of Rule 144A under the Securities Act, (iv) you will not transmit the attached Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the relevant Dealers, and (v) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the securities.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriter or any affiliate of the relevant Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the relevant Dealers or such affiliate on behalf of Abbey National Treasury Services plc (the "**Issuer**") in such jurisdiction.

This Prospectus has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently, none of the Issuer or the relevant Dealers or any person who controls them or any of their directors, officers, employees or agents, or any affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between this Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer, the Arranger or the relevant Dealers.



## Abbey National Treasury Services plc

(incorporated under the laws of England and Wales)

Unconditionally and irrevocably guaranteed by

## Santander UK plc

(incorporated under the laws of England and Wales)

Programme for the issuance of

## Notes, Certificates and Warrants

Abbey National Treasury Services plc (the "**Issuer**") may from time to time issue notes (the "**Notes**"), redeemable certificates (the "**Certificates**") and, together with Notes, the "**N&C Securities**") and warrants (the "**Warrants**") and together with the N&C Securities, the "**Securities**") denominated in any currency as agreed between the Issuer and the relevant Dealer (as defined below) under this Note, Certificate and Warrant Programme (the "**Programme**").

This prospectus (the "**Prospectus**") has been approved by the United Kingdom Financial Services Authority (the "**FSA**") which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom, as a base prospectus (the "**Base Prospectus**") issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of the Notes under the Programme during the period of 12 months after the date hereof.

Application has been made to the FSA in its capacity as competent authority (the "**UK Listing Authority**") under the UK Financial Services and Markets Act 2000 ("**FSMA**") for Securities issued under the Programme to be admitted to the official list of the UK Listing Authority (the "**Official List**"). In respect of Securities to be admitted to the Official List, application has also been made to the London Stock Exchange plc (the "**London Stock Exchange**") for such Securities to be admitted to trading on the London Stock Exchange's Regulated Market. The London Stock Exchange's Regulated Market is a regulated market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**"). The Programme provides that Securities may be unlisted or listed on such other or further stock exchange(s) as may be agreed between the Issuer, the Guarantor and the relevant Dealer and as specified in the Final Terms.

The payment of all amounts payable in respect of the Securities will be unconditionally and irrevocably guaranteed by Santander UK plc (the "**Guarantor**").

N&C Securities may be issued in bearer form ("**Bearer N&C Securities**") or immobilised bearer form ("**Immobilised Bearer N&C Securities**").

The Securities may be issued on a continuing basis to the Dealer specified under "**Summary of the Programme**" and any additional Dealer appointed under the Programme from time to time (the "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the "**relevant Dealer**" shall, in the case of an issue of Securities being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Securities.

Notice of the aggregate nominal amount or issue size of Securities, interest (if any) payable in respect of Securities, where applicable, the issue price of Securities, and any other terms and conditions not contained herein which are applicable to each Tranche (as defined in the Conditions) of Securities will be set out in the applicable Final Terms which, with respect to Securities to be admitted to the Official List and to be admitted to trading on the London Stock Exchange's Regulated Market, will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of the Securities of such Tranche.

Any person (an "**Investor**") intending to acquire or acquiring any securities from any person (an "**Offeror**") should be aware that, in the context of an offer to the public as defined in section 102B of FSMA, the Issuer may be responsible to the Investor for the Prospectus under section 90 of 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 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. This paragraph should be read in conjunction with the paragraph entitled "**Responsibility Statement**" on page ii of this Prospectus. **Information in relation to an offer to the public will be made available at the time such sub-offer is made, and such information will be also provided by the relevant Offeror.**

Prospective purchasers of Securities should ensure that they understand the nature of the relevant Securities and the extent of their exposure to risks and that they consider the suitability of the relevant Securities as an investment in the light of their own circumstances and financial condition. Certain issues of Securities involve a high degree of risk and potential investors should be prepared to sustain a loss of all or part of their investment. **Prospective investors should consider carefully the risks set forth herein under "Risk Factors" prior to making an investment decision with respect to the Securities. If prospective investors are in any doubt about the risks or suitability of a particular Security, they should seek professional advice.**

The Securities, the Guarantee and, in certain cases, the Entitlement (as defined herein) have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or under any state securities laws, and the Securities may not be offered, sold, transferred, pledged, delivered, exercised or redeemed, directly or indirectly, at any time, within the United States of America (including the States and the District of Columbia), its territories, possessions and other areas subject to its jurisdiction (the "**United States**") or to, or for the account of, or benefit of, or by, any U.S. person except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. The Issuer may offer and sell interests in Immobilised Bearer N&C Securities of certain issues within the United States or to or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**") for purposes of the N&C Securities), exclusively to "qualified institutional buyers" ("**QIBs**") as defined in Rule 144A under the Securities Act ("**Rule 144A**") in compliance with Rule 144A ("**Rule 144A N&C Securities**") and/or in offshore transactions outside the United States to non-U.S. persons in reliance on Regulation S ("**Regulation S N&C Securities**"). Interests in Immobilised Bearer N&C Securities of certain issues that may not at any time be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person ("**Permanently Restricted N&C Securities**") may only be offered and sold in offshore transactions outside the United States to non-U.S. persons in reliance on Regulation S and may not be legally or beneficially owned at any time by any U.S. person. By its purchase of an interest in a Permanently Restricted N&C Security, each purchaser will be deemed to have agreed that it may not resell or otherwise transfer any interest in a Permanently Restricted N&C Security held by it except outside the United States in an offshore transaction to a person that is not a U.S. person.

In addition, the Warrants, or interests therein, may not at any time be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in the United States or directly or indirectly offered, sold, resold, traded, pledged, redeemed, transferred or delivered to, or for the account or benefit of, any person who is (i) an individual who is a citizen or resident of the United States; (ii) a corporation, partnership or other entity organised in or under the laws of the United States or any political subdivision thereof or which has its principal place of business in the United States; (iii) any estate or trust which is subject to United States federal income taxation regardless of the source of its income; (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and if one or more United States trustee have the authority to control all substantial decisions of the trust; (v) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (iii) above; (vi) any entity organised principally for passive investment, ten per cent. or more of the beneficial interests in which are held by persons described in (i) to (v) above if such entity was formed principally for the purpose of investment by such persons in a commodity pool the operator of which is exempt from certain requirements of Part 4 of the CFTC's (defined below) regulations by virtue of its participants being non-U.S. Persons; or (vii) any other U.S. Person as such term may be defined in Regulation S or in regulations adopted under the U.S. Commodity Exchange Act, as amended (a "**U.S. Person**" for purposes of the Warrants).

Trading in the Securities, Guarantee and any Entitlement has not been approved by the Commodity Futures Trading Commission (the "**CFTC**") pursuant to the U.S. Commodity Exchange Act, as amended (the "**CEA**").

See "**Form of the Securities**" for a description of the manner in which Securities will be issued. See "**Subscription and Sale**".

### Dealers

Santander Global Banking & Markets

Banco Santander, S.A.

Santander Investment Chile Limitada

### ***References to Santander entities***

In this document, references to "ANTS" and references to the "Issuer" are references to Abbey National Treasury Services plc; references to "Santander UK" and the "Guarantor" are references to Santander UK plc; references to the "ANTS Group" are references to ANTS and its subsidiaries; references to the "Santander UK Group" and the "Group" are references to Santander UK and its subsidiaries which includes A&L (as defined below) and references to "Santander Group" are references to Banco Santander, S.A. ("Banco Santander") and its subsidiaries. References to "A&L" are references to Alliance & Leicester plc and references to the "A&L Group" are reference to A&L and its subsidiaries.

### ***Further Information regarding the Prospectus***

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and Part VI of FSMA. This Prospectus does not constitute a "prospectus" for the purposes of the Prospectus Directive in respect of any Securities (i) involving an offer to the public outside of the European Economic Area ("EEA") or of a type listed in Article 3.2 of the Prospectus Directive and (ii) which are not admitted to trading on a regulated market under Article 3.3 of the Prospectus Directive (any such Securities, "Private Placement Securities").

This Prospectus supersedes the prospectus dated 12 April 2011 previously issued by the Issuer and Guarantor in respect of the €10,000,000,000 Structured Note Programme (the "Structured Note Programme"), and is valid for a period of 12 months from the date hereof. Any Securities issued under the Programme by the completion of the Final Terms on or after the date of this Prospectus are issued subject to the provisions hereof. This Prospectus does not affect any Securities already in issue under the Structured Note Programme or any other programme of the Issuer, prior to the date of this Prospectus. "Final Terms" means the terms set out in a Final Terms supplement, substantially in the form set out in this Prospectus, which complete and amend (i) the "General Terms and Conditions of the N&C Securities" set out on page 82 herein or (ii) the "General Terms and Conditions of the Warrants" set out on page 117 herein, as the case may be, which, in each case, together with the applicable Technical Annex(es) relating to Equity Index Linked Securities, Equity Linked Securities, Currency Linked Securities, Fund Linked Securities, Inflation Index Linked Securities, Commodity Linked N&C Securities, Credit Linked N&C Securities, Property Index Linked Securities or any other relevant type of Securities attached thereto, are referred to as the "Conditions".

### ***Responsibility Statement***

The Issuer and the Guarantor (the "Responsible Persons") accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer and the Guarantor (each 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 paragraph should be read in conjunction with the ninth paragraph on the cover page of this Prospectus.

### ***Persons authorised to use this Prospectus***

Subject as provided in the applicable Final Terms, the only persons authorised to use this Prospectus in connection with an offer of Securities are the persons named in the applicable Final Terms as the relevant Dealer and the persons named in or identifiable following the applicable Final Terms as the Financial Intermediaries, as the case may be.

An Investor intending to acquire or acquiring any Securities from an Offeror will do so, and offers and sales of the Securities to an investor by an Offeror will be made, in accordance with any terms and other arrangements in place between the Offeror and such investor including as to price, allocations and settlement arrangements. The Issuer will not be a party to any such arrangements with investors (other than the Dealers) in connection with the offer or sale of the Securities and, accordingly, this Prospectus and any Final Terms will not contain such information. **THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION. THE ISSUER HAS NO RESPONSIBILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.**

### ***Information sourced from third parties***

Information contained in this Prospectus which is sourced from a third party has been accurately reproduced and, as far as each of the Issuer and the Guarantor is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Each of the Issuer and the Guarantor has also identified the source(s) of such information. The applicable Final Terms will (if applicable) specify the nature of the responsibility taken by the Issuer and the Guarantor (if applicable) for the information relating to the underlying asset, index or other asset or basis of reference to which the relevant Securities relate and which is contained in such Final Terms.

### ***The Dealers and the contents of this Prospectus***

The Dealers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme.

No person is or has been authorised by the Issuer or the Guarantor to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Programme or the Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any of the Dealers.

### ***Admission to trading on the Irish Stock Exchange's Global Exchange Market***

Application has been made for this Prospectus to be approved by the Irish Stock Exchange Limited (the "**Irish Stock Exchange**"). Application has been made to the Irish Stock Exchange for the Securities issued under the Programme to be admitted to the Irish Stock Exchange's Official List and trading on its Global Exchange Market. This Prospectus constitutes a "listing particulars" for the purposes of listing on the Global Exchange Market and, for such purposes, does not constitute a "prospectus" for the purposes of the Prospectus Directive. The Irish Stock Exchange's Global Exchange Market is not a regulated market for the purposes of the Markets in Financial Instruments Directive.

Securities issued under the Programme to be admitted to the Irish Stock Exchange's Official List and trading on its Global Exchange Market will, because of their nature, normally be bought and traded by a limited number of investors who are particularly knowledgeable in investment matters.

### ***Independent Investigation***

Neither this Prospectus nor any other information supplied in connection with the Programme or any Securities (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Guarantor or any of the Dealers that any recipient of this Prospectus or any other information supplied in connection with the Programme or any Securities should purchase any Securities. Each investor contemplating purchasing any Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor. Neither this Prospectus nor any other information supplied in connection with the Programme or the issue of any Securities constitutes an offer or invitation by or on behalf of the Issuer, the Guarantor or any of the Dealers to any person to subscribe for or to purchase any Securities. Furthermore, neither this Prospectus, nor any other information supplied in connection with the Programme or any Securities is, nor does it purport to be, investment advice. Unless expressly agreed otherwise with a particular investor, none of the Issuer, the Guarantor or any Dealer is acting as an investment adviser or providing advice of any other nature, or assumes any fiduciary obligation, to any investor in Securities.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Securities shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme or to advise any investor in the Securities of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference in this Prospectus when deciding whether or not to purchase any Securities.

### ***Credit Ratings***

The rating of certain Series of Securities to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Securities will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**") will be disclosed in the Final Terms. Please also refer to "*Ratings of the Securities*" in the "*Risk Factors*" section of this Prospectus.

Moody's Investors Service Limited ("**Moody's**") and Fitch Ratings Ltd. ("**Fitch**") are each established in the European Union and are each registered under the CRA Regulation. As such Moody's and Fitch are included in the list of the credit rating agencies published by the ESMA on its website in accordance with such Regulation.

### ***Subscription and sales and transfer restrictions in the United States***

Persons into whose possession offering material comes must inform themselves about and observe any such restrictions. This Prospectus does not constitute, and may not be used for or in connection with, an offer to any person to whom it is unlawful to make such an offer or a solicitation by anyone not authorised so to act. See "*Subscription and Sale*", "*Notice to Purchasers and Holders of N&C Securities and Transfer Restrictions*" and "*Notice to Purchasers and Holders of Warrants and Transfer Restrictions*" below.

### ***Subscription and sales and transfer restrictions globally***

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Securities in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Securities may be restricted by law in certain jurisdictions. The Issuer, the Guarantor and the Dealers do not represent that this Prospectus may be lawfully distributed, or that any Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering, or that all actions have been taken by the Issuer, the Guarantor or the Dealers which would permit a public offering of any Securities or distribution of this Prospectus in any jurisdiction where action for that purpose is required. In particular, no action has been taken by the Issuer, the Guarantor or the Dealers which would permit a public offering of any Securities outside the European Economic Area ("**EEA**") or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Securities may 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. Persons into whose possession this Prospectus or any Securities may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Securities. See "*Subscription and Sale*".

This Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Securities in any Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offer of Securities. Accordingly, any person making or intending to make an offer of Securities in that

Relevant Member State, which are the subject of an offering contemplated in this Prospectus, as completed by final terms in relation to the offer of those Securities, may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by the applicable Final Terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State, such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purposes of such offer. Except to the extent sub-paragraph (ii) above may apply, none of the Issuer, the Guarantor nor any Dealer have authorised, nor do they authorise, the making of any offer of Securities in circumstances in which any obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

### ***Investment Considerations***

#### **The Securities may not be suitable for all investors.**

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including Securities with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly (if necessary, in consultation with the investor's own legal, tax, accountancy, regulatory, investment or other professional advisers) the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser and/or other professional advisor) 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 Equity Linked Securities, Equity Index Linked Securities, Inflation Index Linked Securities, Credit Linked Securities, Currency Linked Securities, Commodity Linked Securities, Fund Linked Securities, Property Index Linked Securities or other structured Securities 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 associated with specific Types of Securities*" below.

Some Securities 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 Securities which are complex financial instruments unless it has the expertise (either alone or with a financial adviser and/or other professional advisor) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential investor's overall investment portfolio.

In making an investment decision, investors must rely on their own examination of the Issuer and the Guarantor and the terms of the Securities being offered, including the merits and risks involved.

Certain of the Dealers and their affiliates have engaged and may in the future engage in investment banking and/or commercial banking transactions with, and may perform services for the Issuer, the Guarantor and their respective affiliates.

None of the Dealers, the Issuer and the Guarantor makes any representation to any investor in the Securities regarding the legality of its investment under any applicable laws. Any investor in the Securities should satisfy itself that it is able to bear the economic risk of an investment in the Securities for an indefinite period of time.

Purchasers of such Securities are deemed to have sufficient knowledge, experience and professional advice to make their own investment decisions and to have undertaken their own legal, financial, tax, accounting and other business evaluation of the risks and merits of investments in such Securities and should ensure that they fully understand the risks associated with investments of this nature which are intended to be sold only to sophisticated investors. Purchasers of Securities are solely responsible for making their own independent appraisal of and investigation into the business, financial condition, prospects, creditworthiness, status and affairs of any Reference Entity or Relevant Asset and the information relating to any Reference Entity or Relevant Asset and the level or fluctuation of any Relevant Asset(s).

**SEE SECTION ENTITLED "*RISK FACTORS*" BELOW FOR CERTAIN INFORMATION THAT SHOULD BE CONSIDERED BY INVESTORS IN THE SECURITIES**

## NOTICE TO NEW HAMPSHIRE RESIDENTS

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

## U.S. INFORMATION

The Securities have not been approved or disapproved by the United States Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities approved this Prospectus or confirmed the accuracy or determined the adequacy of the information contained in this Prospectus. Trading in the Securities has not been approved by the CFTC pursuant to the CEA. Any representation to the contrary is a criminal offence in the United States.

The Securities in bearer form that are debt for U.S. federal income tax purposes 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 or for the account or benefit of U.S. persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and the U.S. Treasury regulations promulgated thereunder.

In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and the terms of the Securities being offered, including the merits and risks involved.

This Prospectus is being distributed on a confidential basis in the United States to a limited number of QIBs (as defined under "*Form of the Securities*") for informational use solely in connection with the consideration of the purchase of the Securities being offered hereby. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Interests in Immobilised Bearer N&C Securities ("U.S. CDIs" as defined in the "*Form of the Securities*" below) may be offered or sold within the United States or to U.S. persons only to QIBs in transactions exempt from the registration requirements under the Securities Act. Each U.S. purchaser of U.S. CDIs is hereby notified that the offer and sale of any U.S. CDIs to it may be made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A.

Each purchaser or holder of N&C Securities represented by a Rule 144A Global N&C Security (as defined below) or any Securities issued in registered form in exchange or substitution therefor (together "**Legended N&C Securities**"), and each purchaser or holder of interests in Permanently Restricted N&C Securities, will be deemed, by its acceptance or purchase of any such Legended Securities or Permanently Restricted N&C Securities, to have made certain representations and agreements intended to restrict the resale or other transfer of such Securities as set out in "*Notice to Purchasers and Holders of N&C Securities and Transfer Restrictions*" and "*Subscription and Sale*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Securities*".

In addition, the offer, sale, resale, transfer, pledge or delivery of certain Securities, or any interest therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons may constitute a violation of the United States law governing commodities trading. Accordingly, the relevant Final Terms for any Security determined to be subject to such prohibitions will specify that such Security may not at any time be offered, sold, resold, transferred, pledged or delivered in the United States or to U.S. persons, nor may any U.S. persons at any time trade or maintain a position in such Securities.

The Securities may not be acquired or held by, or acquired with the assets of, any employee benefit plan subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (ERISA), any plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "**Code**"), an entity whose underlying assets include plan assets by reason of a plan's investment in such entity (collectively Benefit Plan Investors), or a governmental, church or non-U.S. plan subject to federal, state, local or non-U.S. laws substantially similar to Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**"), unless the acquisitions, holding and disposition of the Securities does not constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violate the applicable provisions of any Similar Law. Purchasers of Securities on behalf of Benefit Plan Investors have exclusive responsibility for ensuring that their purchase and holding of the Securities does not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, and by the purchase of Securities they will be deemed to have represented that the foregoing condition has been and will be met. The applicable Final Terms relating to a particular Tranche of Securities may contain more information and reflect more particular limitations respecting Section 406 of ERISA or Section 4975 of the Code. See "*Certain ERISA Considerations*".

Notwithstanding anything in this Prospectus to the contrary, each prospective investor (and each employee, representative or other agent of the prospective investor) may disclose to any and all persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of any offering and all materials of any kind (including opinions or other tax analyses) that are provided to the prospective investor relating to such U.S. tax treatment and U.S. tax structure, other than any information for which non-disclosure is reasonably necessary in order to comply with applicable securities laws.

#### **AVAILABLE INFORMATION**

If the Guarantor ceases to be a reporting company under the Exchange Act (as defined below), in order to permit compliance with Rule 144A in connection with any resales or other transfers of Securities that are "restricted securities" within the meaning of the Securities Act, the Issuer will undertake in a deed poll (the "**Deed Poll**") to furnish, upon the request of a holder of such Securities or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer and the Guarantor are neither reporting companies under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, (the "**Exchange Act**") nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder. The Guarantor is currently a reporting company under the Exchange Act.

#### **SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES**

The Issuer and the Guarantor are companies incorporated in England. All of their directors reside outside the United States and all or a substantial portion of the assets of the Issuer and the Guarantor are located outside the United States. As a result, it may not be possible for investors to effect service of process outside England upon the Issuer or the Guarantor, or to enforce judgments against them obtained in the United States predicated upon civil liabilities of the Issuer or the Guarantor or such directors under laws other than English including any judgment predicated upon United States federal securities laws. The Issuer and the Guarantor have been advised that there is doubt as to the enforceability in England in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

#### **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

The consolidated annual financial statements of the Issuer and the Guarantor for the years ended 31 December 2011 and 2010 were prepared in accordance with International Financial Reporting Standards ("**IFRS**").

In this Prospectus, all references to billions are references to one thousand millions. Due to rounding, the numbers presented throughout this Prospectus may not add up precisely, and percentages may not precisely reflect absolute figures.

All references in this document to "**Euro**", "**euro**" and "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended; references to "**U.S. dollars**", "**U.S.\$**" and "**\$**" are to the currency of the United States of America; and references to "**Sterling**" and "**£**" are to the currency of the United Kingdom.

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**In connection with the issue of any Tranche of Securities, 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 Securities (provided that, in the case of any Tranche of Securities to be admitted to trading on a regulated market in the European Economic Area, the aggregate principal amount of Securities allotted does not exceed 105.00 per cent. of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the market price of the Securities of the Series (as defined below) of which such Tranche forms part 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 Securities 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 Securities and 60 days after the date of the allotment of the relevant Tranche of Securities. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**



## *Summary of the Programme*

### SUMMARY OF THE PROGRAMME

This summary must be read as an introduction to this Prospectus and any decision to invest in any Securities should be based on a consideration of this Prospectus as a whole, including any documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area, no civil liability will attach to the Responsible Persons in any such Member State solely on the basis 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 a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated.

*Words and expressions defined in "Form of the Securities", "General Terms and Conditions of the N&C Securities" and "General Terms and Conditions of the Warrants" shall have the same meanings in this summary.*

<b>Description of Programme:</b>	Note, Certificate and Warrant Programme (the " <b>Programme</b> ").
<b>Issuer:</b>	<b>Abbey National Treasury Services plc</b> , a wholly-owned subsidiary of the Guarantor.
<b>Guarantor:</b>	<b>Santander UK plc</b> .
<b>Description of Issuer and Guarantor:</b>	The Guarantor is the parent company of the Santander UK Group which provides financial services in the U.K. Both the Issuer and the Guarantor are limited liability companies established under the laws of England and Wales. The Guarantor and the Issuer form part of the Santander Group.
<b>Type of Securities:</b>	The Issuer may from time to time issue notes (" <b>Notes</b> "), redeemable certificates (" <b>Certificates</b> " and, together with Notes, " <b>N&amp;C Securities</b> ") and warrants (" <b>Warrants</b> " and, together with the N&C Securities, " <b>Securities</b> ") pursuant to the Programme.
<b>Status of the Securities:</b>	The Securities will constitute direct, unconditional and unsecured obligations of the Issuer and will rank <i>pari passu</i> without preference among themselves and, subject as to any applicable statutory provisions or judicial order, at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer.
<b>Status of the Guarantee:</b>	Securities issued under the Programme will be unconditionally and irrevocably guaranteed by the Guarantor and such obligations of the Guarantor will constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor and will rank <i>pari passu</i> with all present and future, unsecured and unsubordinated obligations of the Guarantor, without any preference among themselves and without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, except for obligations given priority by law.
<b>Distribution:</b>	Private or public placement on a syndicated or non-syndicated basis.
<b>Dealers:</b>	Abbey National Treasury Services plc trading as Santander Global Banking & Markets, Banco Santander, S.A., Santander Investment Chile Limitada and/or any other Dealers appointed in accordance with the Programme Agreement.
<b>Calculation Agent:</b>	Abbey National Treasury Services plc, unless otherwise specified in the Final Terms.
<b>Principal Paying Agent, Principal Warrant Agent and Paying Agents:</b>	Citibank, N.A., London, unless otherwise specified in the Final Terms.

## *Summary of the Programme*

<b>Registrar (in the case of N&amp;C Securities) and German Warrant Agent (in the case of Warrants):</b>	Citigroup Global Markets Deutschland AG, unless otherwise specified in the Final Terms.
<b>Luxembourg Warrant Agent:</b>	Banque Internationale à Luxembourg, <i>société anonyme</i>
<b>Redenomination:</b>	See the applicable Final Terms.
<b>Issue Price:</b>	N&C Securities may be issued on a fully-paid or (other than Rule 144A Global N&C Securities) on a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par, and Warrants will be issued at the agreed Issue Price, each as indicated in the applicable Final Terms.
<b>(A) N&amp;C Securities</b>	
<b>Programme Size:</b>	In the case of N&C Securities, up to €10,000,000,000 (or its equivalent in another currency) outstanding at any time.
<b>Form of N&amp;C Securities:</b>	<p>The N&amp;C Securities of each Series will initially be represented by a global security in bearer form. Bearer N&amp;C Securities will be issued outside the United States in reliance on Regulation S. Immobilised Bearer N&amp;C Securities will be issued through Citibank, N.A., London Branch in its capacity as Book-Entry Depository pursuant to an N&amp;C Securities Depository Agreement dated on or about the date of this Prospectus both (a) outside the United States in offshore transactions to non-U.S. Persons in reliance upon Rule 903 or Rule 904 of Regulation S and (b) within the United States to or to, or for the account or benefit of, U.S. Persons that are QIBs in reliance on Rule 144A, as described in "<i>Form of the Securities</i>".</p> <p>If CREST Depository Interests are specified in the applicable Final Terms, investors will hold dematerialised depository interests ("<b>CREST Depository Interests</b>") (which are issued and settled through CREST) constituted and issued by Crest Depository Limited (the "<b>Crest Depository</b>") and representing indirect interests in the N&amp;C Securities (as described in "<i>Book-Entry Clearance Systems and Settlement</i>").</p>
<b>Type of N&amp;C Securities:</b>	<p>The following types of N&amp;C Securities may be issued under the Programme:</p> <p>Fixed Rate N&amp;C Securities, Floating Rate N&amp;C Securities, Dual Currency N&amp;C Securities, Zero Coupon N&amp;C Securities, Non-Interest Bearing N&amp;C Securities, Partly-Paid N&amp;C Securities, Italian Securities and N&amp;C Securities in respect of which payments (whether in respect of principal and/or interest and whether at maturity or otherwise) and/or deliveries will be calculated by reference (i.e. "linked") to an underlying asset or reference basis which may include an asset, index, exchange rate, formula, reference entity or obligation (or a basket thereof), such Securities including Equity Linked N&amp;C Securities, Equity Index Linked N&amp;C Securities, Inflation Index Linked N&amp;C Securities, Commodity Linked N&amp;C Securities, Currency Linked N&amp;C Securities, Fund Linked N&amp;C Securities, Property Index Linked N&amp;C Securities and Credit Linked N&amp;C Securities.</p> <p>Other types of N&amp;C Securities may also be issued under the Programme and the Final Terms for any such N&amp;C Securities will specify all the terms and conditions applicable thereto, which may or may not include certain or all of the terms and conditions set out in the General Terms and Conditions of the N&amp;C Securities contained herein.</p>
<b>Maturities:</b>	Subject to any applicable legal or regulatory restrictions and the rules from time to time of any relevant central bank (or equivalent body), see the applicable Final Terms.

## *Summary of the Programme*

**Interest:** Interest periods, rates of interest and the terms of and/or amounts payable on any interest payment date may differ depending on the N&C Securities being issued, in each case as specified in the applicable Final Terms.

**Redemption:** The applicable Final Terms will indicate either that the relevant N&C Securities cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or following an Event of Default or for certain other specified events) or that such N&C Securities will be redeemable, on notice, at the option of the Issuer and/or the N&C Securityholders, on a date(s) specified prior to such stated maturity or automatically upon the occurrence of certain specified events or on a date(s) after the stated maturity following specified events noted in the Conditions and/or the applicable Final Terms and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer as indicated in the applicable Final Terms.

The applicable Final Terms may provide that N&C Securities may be redeemable in two or more instalments of such amounts and on such dates as indicated in the applicable Final Terms.

**Settlement:** Settlement of the N&C Securities may be by way of cash or by physical delivery of the relevant Asset Amount as specified by the applicable Final Terms and/or the Conditions. N&C Securityholders may, other than in the case of Italian N&C Securities, be required to pay certain expenses in relation to N&C Securities subject to physical delivery, which may be reflected by way of a deduction of such expenses from the Asset Amount to be delivered.

**Denomination of N&C Securities:** N&C Securities issued by nominal amount will be issued in such denominations as indicated in the applicable Final Terms save that the minimum denomination of each N&C Security will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. Where specified in the applicable Final Terms, N&C Securities will also be issued in units.

No sales of Legended N&C Securities in the United States to any one purchaser will be for less than U.S.\$100,000 (or its equivalent in the relevant currency).

**Taxation:** All payments in respect of the N&C Securities will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction or pursuant to FATCA unless such deduction is required as provided in N&C Security Condition 8 (Taxation). In the event that any such deduction is required, neither the Issuer nor, as the case may be, the Guarantor will be required to pay any additional amounts to cover the amounts so deducted.

### **(B) Warrants**

**Trading Method:** The Warrants will be issued and traded as Units, with each Unit representing 1 Warrant.

**Type of Warrants:** Warrants in respect of which payments and/or deliveries will be calculated by reference (i.e. linked) to an underlying asset or reference basis which may include an asset, index, exchange rate, formula, reference entity or obligation (or basket thereof), such Warrants including Equity Linked Warrants, Equity Index Linked Warrants, Inflation Index Linked Warrants, Currency Linked Warrants, Fund Linked Warrants and Property Index Linked Warrants.

Other types of Warrants may also be issued under the Programme and the Final Terms pertaining to any such Warrants will specify all the terms and conditions applicable thereto, which may or may not include features of the above types of Warrants or certain or all of the terms and conditions set out in the Warrant Conditions contained herein.

## *Summary of the Programme*

The Warrants may either be European Style Warrants, American Style Warrants or Bermudan Style Warrants.

**Form of the Warrants:** The Global Warrant will be held by a common depositary on behalf of the Clearance Systems. Definitive Warrants will not be issued.

**Exercise and Settlement:** American Style Warrants are exercisable on any Exercise Business Day during the Exercise Period. European Style Warrants are only exercisable on the Exercise Date. Bermudan Style Warrants are exercisable on each Exercise Date. Where specified in the applicable Final Terms, the Warrants may be automatically exercised.

In respect of any Warrants, where Automatic Exercise is not specified as being Applicable in the applicable Final Terms and an Exercise Notice is not delivered in accordance with Warrant Condition (5) (Exercise Procedure), such Warrants will become void

The Warrants will be settled by cash payment or physical delivery.

In certain circumstances the Issuer may vary settlement in respect of the Warrants.

**Taxation and Expenses:** A holder of Warrants must pay all taxes, duties and/or expenses arising in connection with the exercise of such Warrants and/or, if applicable, the delivery or transfer of the Entitlement relating to such Warrants.

Neither the Issuer nor the Guarantor shall 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, exercise or enforcement of any Warrant by any person, and all payments made by the Issuer or Guarantor shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

### **(C) General**

**Events of Default:** The terms of the Securities will contain, amongst others, events of default for non-performance or non-observance of the Issuer's or Guarantor's obligations in respect of the Securities and events relating to the insolvency or winding-up of the Issuer or the Guarantor.

It is a condition precedent to a relevant event being treated as an event of default that at least 25% of Securityholders in nominal amount or number of units, as applicable, have requested this.

**Use of Proceeds:** The net proceeds from each issue of Securities will be applied by the Issuer for its general corporate purposes and any particular identified use will be stated in the applicable Final Terms.

**Rating:** If any issue of Securities under the Programme is to be rated, the rating of such Securities will be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Securities will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) will be disclosed in the Final Terms.

## ***Summary of the Programme***

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

Securities may be:

- (a) listed on the Official List of the London Stock Exchange and admitted to trading on the Regulated Market of the London Stock Exchange;
- (b) listed or admitted, as the case may be, on other or further stock exchange(s) or markets; or
- (c) neither listed nor admitted to trading on any market,

in each case, as indicated in the applicable Final Terms in relation to each Series.

### **Governing Law:**

The Securities and any non-contractual obligations arising out of or in connection with the Securities will be governed by, and shall be construed in accordance with, English law.

### **Selling Restrictions:**

Restrictions apply to offers, sales or transfers of Securities in various jurisdictions. See the sections headed "*Notice to Purchasers and Holders of N&C Securities and Transfer Restrictions*", "*Notice to Purchasers and Holders of Warrants and Transfer Restrictions*" and "*Subscription and Sale*" in this Prospectus. Additional selling restrictions may apply as specified in the applicable Final Terms. In all jurisdictions offers, sales or transfers may only be effected to the extent lawful in the relevant jurisdiction.

### **Certain Restrictions:**

Each issue of Securities, denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply, will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Notice to Purchasers and Holders of N&C Securities and Transfer Restrictions*", "*Notice to Purchasers and Holders of Warrants and Transfer Restrictions*" and "*Subscription and Sale*").

### **(D) Risk Factors:**

*Each prospective investor should consult its own financial and legal advisers about the risks associated with an investment in the Securities and the suitability of an investment in the relevant Securities in light of its particular circumstances.*

Certain factors may affect the Issuer's and the Guarantor's ability to fulfil their obligations under Securities issued under the Programme. These are set out under "*Risk Factors*" in this Prospectus and include risks concerning the creditworthiness of the Issuer and the Guarantor, general economic conditions, competition in the financial services industry, regulatory and legislative change, operational risks, potential conflicts of interest and the risk that hedging and trading activity by the Issuer, the Guarantor or any of their affiliates may affect the value of Securities. Additionally, the risks relating to investment in the Securities depend on their features and may include, *inter alia* (as more fully described under "*Risk Factors*") risks relating to (but not limited to) operational/business risk, credit risk, liquidity risk, interest rate risk, regulatory risk, reputational risk, competition risk, unsecured obligations, market risk, hedging and potential conflicts of interest, tax liabilities, expenses and taxation, third party risk, structural risks relating to particular N&C Securities, including with respect to certain underlyings, no claim against the Relevant Asset, partly-paid N&C Securities, exchange rate risks, settlement disruption (including as to auction settlement in respect of Credit Linked Securities), illegality and cancellation, time lag after redemption or exercise, physical delivery requirements and settlement risk, possible illiquidity of Securities, equity risk, currency risk, commodity risk, underlying volatility risk, fund risk, failure to deliver due to illiquidity, inflation risk, modification, meetings, market disruption, optional redemption (in the case of N&C Securities), minimum denomination (in the case of N&C Securities), factors affecting the value and trading price of Warrants, minimum exercise amount (in the case of Warrants), limitations on exercise (in the case of Warrants), risks arising from a public offer

### ***Summary of the Programme***

in the Republic of Italy (in the case of Italian N&C Securities), transfer restrictions and exchange listing and legal regulation risk.

In addition, for certain of the Securities, various events in relation to the relevant underlying asset or reference basis may lead to adjustments to or early redemption or cancellation of the Securities and there are certain factors which are material for the purpose of assessing the market risks associated with Securities issued under the Programme (see "*Risk Factors*" in this Prospectus).

## ***Risk Factors***

### **RISK FACTORS**

*An investment in the Securities may involve a high degree of risk. Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under Securities issued under the Programme and/or are material for the purpose of assessing the market risk associated with Securities issued under the Programme. Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.*

*The factors discussed below regarding the risks of acquiring or holding any Securities are not exhaustive, and additional risks and uncertainties that are not presently known to the Issuer or Guarantor or that the Issuer or Guarantor currently believes to be immaterial could also have a material impact on the business operations or financial condition of the Issuer or the Guarantor or the Securities.*

*Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Securities issued under the Programme, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or perform other obligations in connection with any Securities may occur for other reasons which may not be considered significant risks by the Issuer and the Guarantor based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

*Words and expressions defined in the "General Terms and Conditions of the N&C Securities" and the "General Terms and Conditions of the Warrants" below or elsewhere in this Prospectus have the same meanings in this section.*

#### **Contents of the Risk Factors**

1. **Key risks with respect to an investment in the Securities**
2. **General risks relating to an investment in the Securities**
3. **Risks associated with the N&C Securities**
4. **Risks associated with the Warrants**
5. **Risks associated with Securities that are linked to one or more Relevant Asset(s)**
6. **Risk factors relating to the Issuer, the Guarantor and the Group**

## ***Risk Factors***

### **1. Key risks with respect to an investment in the Securities**

#### **1.1 *Investors in Securities may lose up to the entire value of their investment in the Securities as a result of the occurrence of any one or more of the following events:***

- (a) the terms of the relevant Securities do not provide for full repayment of the initial purchase price upon final settlement and/or early termination of such Securities and the Relevant Asset(s) (as described in risk factors below) perform in such a manner that the final settlement amount and/or early termination amount is less than the initial purchase price. The pay-out formula of Securities may provide for the return of the initial purchase price at final termination. These Securities are sometimes referred to as being "capital protected" on final termination. Investors in Securities that are not "capital protected" may risk losing their entire investment if the value of the Relevant Asset(s) does not move in the anticipated direction. Investors in Securities that are "capital protected" may still be subject to loss of some or all of their investment in the circumstances described in (b), (c), and (d) below and may not receive any value for the time during which they hold the Securities;
- (b) the Issuer and Guarantor of the relevant Securities are subject to insolvency proceedings or some other event impairing their ability to meet their obligations under the Securities;
- (c) the investor seeks to sell the relevant Securities prior to their scheduled termination, and the sale price of the Securities in the secondary market is less than the purchaser's initial investment;
- (d) the relevant Securities are subject to certain adjustments in accordance with the terms and conditions of such Securities that may result in the scheduled amount to be paid or asset(s) to be delivered upon termination being reduced to or being valued at an amount less than a purchaser's initial investment; and
- (e) amounts payable may be subject to deductions for taxes and/or expenses.

#### **1.2 *The Securities are unsecured obligations of the Issuer and the Guarantor***

All Securities will represent direct, unconditional and unsecured obligations of the Issuer. All Securities will rank *pari passu* and without any preference among themselves and subject to any applicable statutory provisions or judicial order, at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer.

The obligations of the Issuer are fully and unconditionally guaranteed by the Guarantor. It should however be noted that this Guarantee extends only to amounts which have become due and payable or obligations which are due to be performed in accordance with the General Terms and Conditions of the N&C Securities and the General Terms and Conditions of the Warrants, as the case may be. There is no assurance that any amount will become due and payable or any other relevant obligation arise under the terms of the relevant Security (for example, in certain circumstances, interest and/or principal will cease to be payable, or the amount payable will be reduced, under the terms of the relevant Security). The obligations of the Guarantor under the Guarantee are unsubordinated and unsecured obligations of Santander UK plc and will rank *pari passu* and without any preference among themselves and subject to any applicable statutory provisions or judicial order, at least equally with all its other present and future unsubordinated and unsecured obligations of the Guarantor.

Investors should note in particular that even in respect of N&C Securities which are expressed to be "principal protected" or "capital protected" on termination and/or include a minimum redemption amount, return of an investor's initial capital investment remains dependent on the Issuer and/or the Guarantor's ability to meet their obligations in full. Where the Issuer and/or the Guarantor are unable to do so, an investor will lose some and possibly all of the amount invested. In addition any amount payable on early redemption or secondary market sale of N&C Securities may be significantly less than the amount that would otherwise be payable at maturity.

Investing in the Warrants entails significant risk and under certain circumstances, as described herein, an investor in the Warrants may lose all or any part of their investment.



## ***Risk Factors***

### ***1.3 No government or other protection***

The Securities issued by Abbey National Treasury Services plc and the guarantee provided by Santander UK plc are not savings accounts or deposits of either the Issuer or Guarantor or any member of the Santander Group. The Securities are not protected by the UK Financial Services Compensation Scheme or any other government or private protection scheme.

## **2. General risks relating to an investment in the Securities**

### ***2.1 The Securities may not be suitable for all investors***

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including Securities with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly (if necessary, in consultation with the investor's own legal, tax, accountancy, regulatory, investment or other professional advisers) the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser and/or other professional advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

### ***2.2 The Issue Price of the Securities may be more than the market value of such Securities as at the Issue Date, and the price of the Securities in secondary market transactions***

The Issue Price in respect of any Securities specified in the relevant Final Terms may be more than the market value of such Securities as at the relevant Issue Date, and the price, if any, at which the relevant Dealer(s) or any other person willing to purchase such Securities in secondary market transactions may be lower than the Issue Price in respect of such Securities. In particular, the Issue Price in respect of any Securities may take into account several types of proceeds, benefits or costs to the Issuer, which may include amounts with respect to inducements, commissions and/or other fees relating to the issue and sale or distribution of such Securities as well as up-front payments or other amounts relating to the hedging of the Issuer's obligations under such Securities. Secondary market prices are likely to exclude such amounts. In addition, pricing models of relevant market participants may differ or produce a different result. This can cause a difference between the theoretical value of the Securities and any bid and offer prices quoted by the Issuer, the Guarantor, any Affiliate or any third party. Such differences may be greater when the Securities are initially traded on any secondary markets and may gradually decline in value during the term of the Securities.

### ***2.3 The market value and the amount payable and/or deliverable on termination of the Securities may be adversely affected by a number of factors, and the price at which a holder of Securities may be able to sell Securities prior to termination may be at a substantial discount to the market value of such Securities on the Issue Date. A holder of such Securities may suffer a loss of some or up to all of the entire amount invested on termination***

#### ***(a) A Security's purchase/offer price may not reflect its inherent value***

Prospective investors in the Securities should be aware that the purchase/offer price of a Security does not necessarily reflect its inherent value. Any difference between a Security's purchase/offer price and its inherent value may be due to a

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number of different factors including, without limitation, prevailing market conditions and fees, discounts or commissions paid or accorded to the various parties involved in structuring and/or distributing the Securities. For further information prospective investors should refer to the party from whom they are purchasing the Securities. Prospective investors may also wish to seek an independent valuation of Securities prior to their purchase.

(b) ***Effect of credit ratings of the Issuer and/or the Guarantor***

The value of the Securities is expected to be affected, in part, by investors' general appraisal of the Issuer's and the Guarantor'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 Investors Service Limited, Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and Fitch Ratings Ltd. 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 Securities.

(c) ***Effect of the performance of the underlying Relevant Asset(s)***

Securities which are linked to the performance of any Relevant Asset(s) will represent an investment linked to the economic performance of the Relevant Asset(s) and investors should note that any return on their investment in such Securities will depend upon the performance of such Relevant Asset(s). Investors should not invest in any Securities if they do not fully understand how the performance of the Relevant Asset(s) may affect the pay-out and value of the Securities, including (i) the potential to lose all their investment, (ii) any limit on potential profits and (iii) the effects of any provision which increases exposure to the movement in price or level of the Relevant Asset(s) (sometimes referred to as "leverage").

As the amounts payable and/or deliverable in respect of Securities are linked to the performance of the Relevant Asset(s), an investor in such a Security must generally make correct predictions as to the direction, timing and magnitude of an anticipated change in the value of the Relevant Asset(s) or other basis which may be specified in the relevant Final Terms. However, it is impossible to make such predictions with any degree of certainty, and investors in Securities must be aware that the historical performance of the Relevant Asset(s) should not be taken as an indication of future performance of such Relevant Asset(s) during the term of such Security.

In contrast to a direct investment in the Relevant Asset(s), Securities represent the right to receive payment and/or delivery of amounts which will be determined by reference to the performance of the Relevant Asset(s). Potential purchasers should also note that whilst the market value of such Securities linked to such Relevant Asset(s) will be influenced (positively or negatively) by such Relevant Asset(s), any change may not be comparable or directly proportionate to the change in value of such Relevant Asset(s).

(d) ***The market value of the Securities at any time is dependent on other matters in addition to the credit risk of the Issuer and Guarantor (if any) and the performance of the Relevant Asset(s)***

The market value of the Securities at any time will be affected by a number of factors independent of the creditworthiness of the Issuer and Guarantor (if any) and the performance of the Relevant Asset(s), including:

- (i) market interest and yield rates;
- (ii) fluctuations in currency exchange rates;
- (iii) fluctuations in commodities prices;
- (iv) liquidity of the Securities and/or of any Relevant Asset(s) in the secondary market;
- (ii) the time remaining to any redemption date, maturity date, exercise date or expiration date, as the case may be;
- (iii) where the Relevant Asset(s) is/are equity securities, the dividend rate on the Relevant Asset(s) and the financial results and prospects of the issuer of each Relevant Asset;

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- (iv) where the Relevant Asset(s) is/are credit linked, the creditworthiness of the specified reference entity or entities;
- (iv) numerous other events (e.g. economic, financial, regulatory, political, terrorist or military events) in one or more jurisdictions, including factors affecting capital markets generally or the stock exchanges on which any of the Securities or Relevant Asset(s) may be traded.

The amount(s) which are or may be payable and/or deliverable in respect of Securities are typically expected to be but do not have to be greater than the trading price of such Securities at any time prior to termination. The difference between the trading price and such amount(s) will reflect, among other things, a "time value" for the Securities. The "time value" of the Securities will depend partly upon the length of the period remaining to termination and expectations concerning the value of the Relevant Asset(s).

Before exercising or selling Securities, holders should carefully consider, among other things, (i) the trading price of the Securities, (ii) the value and volatility of the Relevant Asset(s), (iii) the time remaining to termination, (iv) the possible range of amounts payable and/or deliverable on the Securities, (v) any changes in interim interest rates and dividend yields (if any), (vi) any changes in currency exchange rates, (vii) the depth of the market or liquidity of the Relevant Asset(s) and (viii) any related transaction costs.

### **(e) *Current market climate***

Investors should be aware of the prevailing and widely reported global credit market, whereby there is a general lack of liquidity in the secondary market for many types of instruments, which may include instruments similar to the Securities. Such lack of liquidity may result in investors suffering losses on the Securities in secondary market sales even if there is no decline in the performance of the Relevant Asset(s) or the creditworthiness of the Issuer and/or the Group. The Issuer cannot predict when these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Securities at that time.

Certain countries in Europe currently have large sovereign debts and/or fiscal deficits and this has led to uncertainties in the markets as to whether or not the governments of those countries will be able pay in full and on time the amounts due in respect of those debts. These concerns have led to significant and rapid changes in secondary market prices for sovereign debt of the affected countries (especially Greece, Spain, Portugal, Ireland and Italy) and also to significant and rapid changes in exchange rates, especially with respect to the Euro. Further, the continued concern about the fiscal positions of the governments of the affected countries has also raised concerns regarding the exposures of banks to such countries, especially banks domiciled within Europe. These concerns may lead to such banks being unable to obtain funding in the interbank market, which may cause such banks difficulty in funding their operations and potentially insolvency. If the current concerns over sovereign and bank solvency continue, there is a danger that inter bank funding may become generally unavailable or available to most banks only at higher interest rates. If this were to happen, investors may suffer market value and/or credit losses in respect of the Securities.

### **(f) *The market value of Securities may be highly volatile***

Where the Securities reference one or more Relevant Assets, the holders of such Securities are exposed to the performance of such Relevant Assets. The price, performance or investment return of the Relevant Assets may be subject to sudden and large unpredictable changes over time and this degree of change is known as "volatility". The volatility of a Relevant Asset may be affected by national and international financial, political, military or economic events, including governmental actions, or by the activities of participants in the relevant markets. Any of these events or activities could adversely affect the value of the Securities.

### **(g) *The market value of Securities and the amount payable or deliverable on the Securities may be affected due to the application of leverage or reduced exposure in the structure***

Where a formula used to determine the amount(s) payable and/or deliverable with respect to the Securities contains a multiplier participation rate or leverage factor (whether implicit or explicit) greater than one or 100.00 per cent., then the percentage change in the value of the Security may be greater than any positive and/or negative performance of the Relevant Asset(s). Securities which include such multiplier or leverage factor represent a very speculative and risky form

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of investment, since any loss in the value of the Relevant Asset(s) carries the risk of a correspondingly higher loss on the Securities.

Where a formula used to determine the amount(s) payable and/or deliverable with respect to the Securities contains an explicit or implicit multiplier participation rate or factor of less than one or 100.00 per cent., then the percentage change in the value of the Security may be less than any positive and/or negative performance of the Relevant Asset(s). Securities which include such multiplier or leverage factor may not benefit from the full extent of any gain in the value of the Relevant Asset(s), since any gain in the value of the Relevant Asset(s) carries the risk of a correspondingly lower gain on the Securities.

### **(h) *Distributor(s)/Introducing Broker Fees***

Investors should note that, in certain circumstances immediately following the issue of the Securities, the secondary market price of the Securities may be less than the Issue Price and/or the offer price for a number of reasons which may include the fact that the Issue Price and/or the offer price included fees or commissions, including fees to be paid to distributor(s) and/or introducing brokers. See also (a) above.

### **2.4 *There may not always be a secondary market for the Securities***

#### **(a) *The Issuer and the Guarantor cannot assure a trading market for the Securities will ever develop or be maintained***

The Issuer may issue Securities in different series with different terms in amounts that are to be determined. Such Securities may be unlisted or listed on a recognised stock exchange and there can be no assurance regarding the ability of Securityholders to sell their Securities or the price at which such holders may be able to sell their Securities. Investors should however, be aware of the prevailing and widely reported global credit market conditions, whereby a general lack of liquidity in the secondary market for many types of instruments, which may include instruments similar to the Securities may result in investors suffering losses on Securities in secondary resales even if there is no decline in the performance of the Relevant Asset(s) or of the Issuer or the Guarantor. The Issuer and the Guarantor cannot predict when these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Securities at that time. If a trading market were to develop, the Securities could trade at prices that may be higher or lower than the relevant initial issue price and this may result in a return that is greater or less than any interest or other additional amounts payable in respect of the Securities, depending on many factors, including:

- the Group's financial results;
- any change in the Issuer's or the Guarantor's creditworthiness;
- the market for similar securities or instruments;
- the complexity and volatility of the Relevant Assets applicable to any Securities issued under the Programme;
- the method of calculating the principal, premium (of any), interest (if any) and other amounts payable or deliverable in respect of the Securities;
- the time remaining to the maturity of the N&C Securities or to exercise the Warrants;
- the outstanding amount of the Securities;
- the redemption or exercise features of the Securities; and
- the level, direction and volatility of market interest rates generally.

In addition, certain Securities have a more limited trading market and experience more price volatility because they were designed for specific investment objectives or strategies. There may be a limited number of buyers when an investor

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decides to sell such Securities. This may affect the price an investor receives for such Securities, or the ability of an investor to sell such Securities at all.

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

The Issuer is not required to maintain the listing on such stock exchange or any other exchange. The price at which the Securities trade on the relevant stock exchange (or any other exchange on which they are traded or quoted) may not reflect the applicable Redemption Amount or Exercise Amount (as the case may be).

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

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

### **(b) *The secondary market generally***

Securities may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Securities that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Securities generally would have a more limited secondary market and more price volatility than conventional securities. Illiquidity may have a severely adverse effect on the market value of Securities.

Each of the Issuer and any Dealer may, but is not obliged to, at any time purchase Securities at any price in the open market or by tender or private treaty. Any Securities so purchased may be held or resold or surrendered for cancellation. A Dealer may, but is not obliged to, be a market maker for an issue of Securities. Even if a Dealer is a market-maker for an issue of Securities, the secondary market for such Securities may be limited. In addition, affiliates of the Issuer (including, if applicable, any Dealer) may purchase Securities at the time of their initial distribution and from time to time thereafter. With respect to Italian Securities, the appointment of an entity acting as market-maker or liquidity provider or specialist in the secondary market, may, under certain circumstances, have a relevant impact on the price of the Securities in the secondary market.

### **(c) *The Securities are subject to selling and transfer restrictions that may be affected by the existence and liquidity of any secondary market in the Securities***

The Securities have not been, and will not be, registered under the Securities Act or any other securities laws. Accordingly, the Securities are subject to certain restrictions on the resale and other transfer thereof as set forth under "*Subscription and Sale*". As a result of such restrictions, the Issuer and the Guarantor cannot be certain of the existence of a secondary market for the Securities or the liquidity of such market if one develops. Consequently, a Securityholder must be able to bear the economic risk of an investment in such Securities for an indefinite period of time.

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### **2.5 *The Securities may be terminated prior to their scheduled final termination***

In certain circumstances, the Early Redemption Amount (in the case of N&C Securities) or the Early Cancellation Amount (in the case of Warrants) payable on the termination of a Security prior to its scheduled maturity or expiration date (as the case may be) may be less than its original purchase price and could be as low as zero.

Following early termination of Securities, the holders of such Securities may not be able to reinvest the redemption or cancellation proceeds (if any) at an effective interest rate as high as any interest rate or yield (if any) on the Securities and may only be able to do so at a significantly lower rate. Investors in Securities should consider such reinvestment risk in light of other investments available at that time.

Securities may be terminated early for any of the following reasons:

- (i) the occurrence of a mandatory early termination event (e.g., the price or level of the Relevant Asset rises above or falls below a pre-determined barrier level), if specified in the terms and conditions of the Securities;
- (ii) the exercise by the Issuer of a call option, if specified to be applicable in the relevant Final Terms;
- (iii) the exercise by the Securityholder of a put option, if specified to be applicable in the relevant Final Terms;
- (iv) the occurrence of certain events or other circumstances in relation to a Relevant Asset at the discretion of the Calculation Agent;
- (v) the Issuer determines that its performance under any Security has become unlawful in whole or in part for any reason (see N&C Security Condition 7.4 (*Redemption for illegality*) in respect of the N&C Securities and Warrant Condition 6.1 (*Cancellation for illegality*) in respect of the Warrants);
- (vi) the Calculation Agent determines that a change in applicable law or regulation has occurred and solely by reason of the Securities being outstanding, will result in the Issuer being required to be regulated by any additional jurisdiction or regulatory authority or being subject to any additional legal requirement or regulation considered by the Issuer to be materially onerous (see N&C Security Condition 7.5 (*Regulatory Redemption Event*) in respect of the N&C Securities and Warrant Condition 6.2 (*Regulatory Cancellation Event*) in respect of the Warrants);
- (vii) in certain circumstances where the Issuer determines that it will be obliged to account for any present or future taxes, duties, assessments or governmental charges (see N&C Security Condition 7.6 (*Redemption for Tax reasons*) in respect of the N&C Securities and Warrant Condition 6.5 (*Early Cancellation for tax reasons*) in respect of the Warrants); or
- (viii) following an Event of Default (see N&C Security Condition 10 (*Events of Default*) in respect of the N&C Securities and Warrant Condition 7 (*Events of Default*) of the Warrants).

With regard to the exercise by the Issuer of a call option, see risk factor 3.2 below.

With regard to early termination due to any of illegality, a regulatory cancellation event or tax, the Early Redemption Amount or Early Cancellation Amount (as the case may be) in respect of each Security shall (if, in the case of N&C Securities, "Market Value" is specified in the applicable Final Terms and unless otherwise specified in the relevant Final Terms and other than in the case of Italian MOT Securities) be an amount determined by the Calculation Agent as representing the fair market value of such Securities immediately prior to such early termination, adjusted (other than in the case of Italian SeDeX Securities) to account fully for any reasonable expenses and costs of unwinding any underlying and/or related hedging and funding arrangements (including, without limitation any equity options, equity swaps or other Securities of any type whatsoever hedging the Issuer's obligations under the Securities). An investor in Securities should be aware that this Early Redemption Amount or Early Cancellation Amount (as the case may be) may be less than the investor's initial investment, and in such case see risk factor 1.1 (*Investors in Securities may lose up to the entire value of their investment in the Securities as a result of the occurrence of any one or more of the following events*).

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### **2.6 *Rating Agency Credit Ratings***

#### **(a) *Use of credit ratings assigned to the Issuer***

The long-term and short-term issuer credit ratings of the Issuer are provided in this Prospectus for information purposes only. Investors should note that a credit rating assigned to the Issuer may not reflect the potential impact of all of the risks related to the structure, market and type of return of the Securities but may affect the value of the Securities. Any rating agency may lower its ratings or withdraw its rating if, in the sole judgement of the rating agency, the credit quality of the Issuer has declined or is in question. In addition, at any time any rating agency may revise its relevant rating methodology with the result that, amongst other things, any rating assigned to the Issuer may be lowered. If any rating assigned to the Issuer is lowered or withdrawn, the secondary market value of any Securities may reduce. A rating is not a recommendation to buy, sell or hold any Securities and may be subject to suspension or withdrawal (or, as noted above, revision) at any time. Each rating agency may have different criteria for evaluating risk, and therefore each rating should be evaluated independently of any other rating.

#### **(b) *Issuer's and Guarantor's Rating Under Review***

The credit rating of the Issuer is closely aligned with the credit rating of the Guarantor due to the nature of the relationship between the entities. Any change in the rating of the Guarantor may, therefore, result in a corresponding change to the rating of the Issuer.

Since 21 February 2012, the long-term credit rating of the Issuer and the Guarantor has been subject to a "Rating Under Review" designation by Moody's Investors Service Limited ("**Moody's**"). This indicates that each of the Issuer and the Guarantor have one or more ratings under review for possible change and thus overrides any outlook designation that may have previously been given by Moody's. Accordingly, Moody's may downgrade the long-term rating of the Issuer and/or the Guarantor within three months of 21 February 2012. Furthermore, any downgrade of the Guarantor could result in a review of, and subsequently downgrade of, the Issuer's credit rating. Prospective investors should note however, that ratings assigned by rating agencies reflect their opinion on credit risk, which is only one aspect of an investment decision in the Securities. Ratings are subject to change.

#### **(c) *Use of credit ratings assigned to a particular series of Securities***

One or more independent credit rating agencies may also assign credit ratings to a particular Series of Securities. In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**") from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings is set out in the Summary section of this Prospectus and may be disclosed in the Final Terms.

#### **(d) *European regulated investors and the CRA Regulation***

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication

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of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out in this Prospectus. Moody's and Fitch Ratings Ltd. ("**Fitch**") are each established in the European Union and are each registered under the CRA Regulation. As such Moody's and Fitch are included in the list of the credit rating agencies published by the ESMA on its website in accordance with such Regulation.

(e) ***Credit ratings may not reflect all risks***

Any credit rating assigned to a Series of Securities may not reflect the potential impact of all risks related to structure, market or additional factors discussed above, and other factors that may affect the value of those Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

2.7 ***Market disruption and settlement disruption***

(a) ***Market Disruption Event and Disrupted Day***

If an issue of Securities includes provisions dealing with the occurrence of a market disruption event or a failure to open of an exchange or related exchange on a Valuation Date or an Averaging Date and the Calculation Agent determines that a market disruption event or such failure has occurred or exists on a Valuation Date or an Averaging Date, any consequential postponement of the Valuation Date or Averaging Date or any alternative provisions for valuation provided in any Securities may have an adverse effect on the value of such Securities.

(b) ***Settlement Disruption Event and Failure to Deliver due to Illiquidity***

In the case of physically settled Securities (other than Credit Linked N&C Securities), if a Settlement Disruption Event occurs or exists on the Delivery Date, settlement will be postponed until the next date on which no Settlement Disruption Event occurs. The Issuer in these circumstances also has the right to pay the Disruption Cash Redemption Amount in lieu of delivering the Asset Amount or Entitlement. Such a determination may have an adverse effect on the value of the relevant Securities.

In the case of Physical Delivery N&C Securities which are Credit Linked N&C Securities, if all or some of the Deliverable Obligations included in the Asset Amount are Undeliverable Obligations and/or Hedge Disruption Obligations, then the Issuer shall continue to attempt to Deliver all or a portion of such Undeliverable Obligations or Hedge Disruption Obligations, as the case may be, on or before the 65th Business Day following the Physical Settlement Date, failing which the Issuer shall give notice to the Securityholders and 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.

2.8 ***Potential conflicts of interest***

(a) ***Role of Abbey National Treasury Services plc***

Abbey National Treasury Services plc ("**ANTS**") may be acting in a number of capacities (e.g. Calculation Agent, Issuer and Dealer) in connection with the transactions described in this Prospectus. ANTS, acting in such capacities in connection with such transactions, shall have only the duties and responsibilities expressly agreed to by it in its relevant capacity and shall not, by virtue of its acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to hold a standard of care other than as expressly provided with respect to each such capacity. ANTS, in its various capacities in connection with the contemplated transactions, may enter into business dealings, including the acquisition of investment securities as contemplated by its constitutional and other corporate documents, from which it may derive revenues and profits in addition to the fees, if any, stated in its constitutional and other corporate documents, without any duty to account therefor.

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 any Relevant Asset(s) or related derivatives. In addition, in connection with the offering of any Securities, the Issuer and/or any its affiliates may enter into one or more hedging transactions with respect to any Relevant Asset(s) or related derivatives. In connection with such hedging or market-making activities or with respect to proprietary



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or other trading activities by the Issuer and/or any its affiliates, the Issuer and/or any its affiliates may enter into transactions in any Relevant Asset(s) or related derivatives which may affect the market price, liquidity or value of the relevant Securities and which could be deemed to be adverse to the interests of the relevant Securityholders.

There is no limitation or restriction on ANTS, or any of its respective Affiliates, with regard to acting as adviser (or in a similar role) to other parties or persons. This and other future activities of ANTS and/or its Affiliates may give rise to additional potential conflicts of interest.

ANTS in its capacity as Issuer and any Dealer may at the date hereof or at any time hereafter, be in possession of information in relation to a Relevant Asset that is or may be material in the context of the Securities and may or may not be publicly available to Securityholders. There is no obligation on the Issuer or any Dealer to disclose to Securityholders any such information.

ANTS in its capacity as Issuer and/or any of its Affiliates may have existing or future business relationships with any Reference Entities or, if applicable, any of their subsidiaries or affiliates or any other person or entity having obligations to any Reference Entity (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 Securityholder regardless of whether any such action might have an adverse effect (including, without limitation, any action which might constitute or give rise to any breach, event of default, credit event or termination event) on any Reference Obligation.

Where the Securities, or arrangements linked thereto, are offered to the public, as the Dealer(s) and any distributors act pursuant to a mandate granted by the Issuer and they receive fees on the basis of the services performed and the outcome of the placement of the Securities, or arrangements linked thereto, potential conflicts of interest could arise.

(b) ***There may be potential conflicts of interests if intermediaries are appointed in connection with the offer or placement of the Securities***

Given that the intermediaries appointed from time to time as distributors and the other entities acting in connection with the offer or placement of the Securities act in their institutional capacity pursuant to a mandate granted by the Issuer and receive fees on the basis of the placement activity carried out and its outcome, such intermediaries generally act in a situation that may give rise to a potential conflict of interest.

If any commissions or fees relating to the issue and sale of the Securities have been paid or are payable by the Dealer to an intermediary, then such intermediary may be obliged to fully disclose to its clients the existence, nature and amount of any such commissions or fees (including, if applicable, by way of discount) as required in accordance with laws and regulations applicable to such intermediary, including any legislation, regulation and/or rule implementing the Markets in Financial Instruments Directive (2004/39/EC) ("**MiFID**"), or as otherwise may apply in any non-EEA jurisdictions. Investors in Securities through an intermediary (including by way of introducing broker) should be aware that the existence of commissions that may be payable to such intermediary in respect of the Securities may give rise to conflicts of interest, as an intermediary may be interested in selling to its customers primarily Securities where it receives the highest commissions. Investors should request details of any such commission or fee payment from such intermediary and any potential conflicts of interest before making any purchase of Securities.

Any further risk factors relating to additional conflicts of interest with respect to a particular issue of Italian Securities will be specified in the applicable Final Terms.

2.9 ***Calculation Agent's discretion***

The Calculation Agent (which will likely be ANTS or an affiliate of ANTS) has a very broad discretionary authority to make various determinations and adjustments under the Securities, any of which may have an adverse effect on the value and/or the amounts payable under the Securities. For example, the Calculation Agent has a broad discretion to, without limitation, (i) determine whether a Disrupted Day, Index Adjustment Event, Potential Adjustment Event, Extraordinary Event and/or any other event and/or matters so specified in the Conditions has occurred, (ii) determine any resulting adjustments and calculations as described in the Conditions and (iii) in respect of any other matters as may be specified in

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the applicable Final Terms. Prospective purchasers should be aware that any determinations made by the Calculation Agent may have an impact on the value and financial return of the Securities. Any such discretion exercised by, or any calculation made by, the Calculation Agent (in the absence of manifest error) shall be binding on the Issuer and all holders of the Securities.

### **2.10 *Modification, waivers and substitution***

The General Terms and Conditions of the N&C Securities and the General Terms and Conditions of the Warrants contain provisions for calling meetings of Securityholders to consider matters affecting their interests generally including, without limitation, modifications of certain provisions of the relevant Securities, Receipts or Coupons or the Agency Agreement (as the case may be). The meetings provisions permit defined majorities (as set out in N&C Securities Condition 16 (Meetings of Warranholders and Modifications)) and Warrant Condition 13 (Meetings of Warranholders and Modifications) to bind all Securityholders including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to the majority.

The General Terms and Conditions of the N&C Securities and the General Terms and Conditions of the Warrants also provide that the Issuer may, without the consent of Securityholders, agree to:

- (i) certain modifications of the Securities, including:
  - (A) any modification of the provisions of the Securities, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Securityholders; or
  - (B) any modification of any of the provisions of the Conditions, the Securities, the Receipts, the Coupons or the Agency Agreement (as the case may be) which is of a formal, minor or technical nature or is made to correct a manifest or proven error or is made to correct an error, ambiguity or omission such that, in the absence of such correction, the terms of the Securities would not otherwise represent the intended terms of the Securities on which the Securities were sold and have since traded or is to comply with mandatory provisions of applicable law; or
- (ii) the substitution of another company as principal debtor under any Securities in place of the Issuer, in certain circumstances.

### **2.11 *Potential investors should consider certain legal and tax consequences of investing in the Securities***

#### **(a) *Characterisation of the Securities***

The appropriate characterisation of the Securities under various legal investment restrictions, and thus the ability of potential investors subject to those restrictions to purchase the Securities, may be subject to significant interpretative uncertainties. No representation is made as to the proper characterisation of the Securities for legal investment purposes, or for risk-weighting, Securities valuation, regulatory, accounting or other financial institution regulatory regimes of any regulatory body. Potential investors should consult with their own legal advisers in determining whether, and to what extent, the Securities will constitute legal investments for them and the consequences of such an investment.

The Issuer and/or its Affiliates cannot advise on the appropriate accounting treatment or possible tax consequences of an indicative transaction. Prior to purchasing the Securities, a potential investor should discuss with its professional advisers how such purchase would or could affect them. Potential investors with any questions regarding the impact of an investment in the Securities on their tax position should consult their tax adviser. Neither the Issuer nor any of its affiliates provides tax or legal advice.

The Securities will not have the benefit of a gross-up provision in respect of withholding taxes. Securityholders will bear the risk of the imposition of any deduction or withholding with respect to payments made under the Securities.

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### **(b) *Taxation and Expenses***

Potential purchasers and sellers of Securities 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 Securities are transferred and/or any assets are delivered. Securityholders are subject to the provisions of the Conditions and payment and/or delivery of any amount due in respect of the Securities will be made subject to any tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

It is not possible to predict whether the tax regime on the basis of which the net values relating to any amount payable to investors pursuant to the Securities applicable as at the date of publication of the specific Final Terms may be amended during the life of the Securities, nor can it be excluded that, in case of amendments, the net values indicated with respect to the Securities may differ, even substantially, from those which will effectively apply to the Securities as at the various payment dates, as indicated in the relevant Final Terms.

To that end, the section "*Taxation*" in this Prospectus sets out a brief description of the tax regime applicable to the purchase/subscription, ownership or disposal of the Securities for certain categories of investors, based on the tax laws in force in certain jurisdictions as at the date of this Prospectus. Such laws remain subject to any changes in law which may occur after such date, and which could be made on a retroactive basis.

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 Securities, all expenses arising from the delivery of the relevant Asset Amount or Entitlement (as the case may be and as hereinafter defined) in respect of such Security shall be for the account of the relevant Securityholder and the Issuer is under no obligation to deliver such Asset Amount or Entitlement (as the case may be) until all such expenses have been paid to the satisfaction of the Issuer by the relevant Securityholder. Where such expenses are not paid to the Issuer's satisfaction, the Issuer has the option to proceed with delivery but in so doing has the right to deduct an amount at least equal to the aggregate unpaid expenses from the Asset Amount or Entitlement (as the case may be) to be delivered. The Issuer's delivery obligations in respect of the Securities will be discharged in full by delivery of such reduced Asset Amount or Entitlement less any such deduction.

### **(c) *US Foreign Account Tax Compliance Withholding***

Under Sections 1471 through 1474 of the U.S. Internal Revenue Code ("**FATCA**"), the Issuer (and the non-U.S. financial institutions through which payments on the Securities are made) may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made in respect of a Security treated as debt for U.S. federal income tax purposes that are issued on or after 1 January 2013 or are materially modified from that date, including potentially if a Substitute Issuer (as defined in the Conditions) is substituted for the Issuer (as discussed under "*U.S. Federal Income Taxation – Substitution of Issuer*" below), (or, if such Security is treated as equity for U.S. federal tax purposes, whenever issued), unless a holder complies with certain certification and identification requirements (and for holders that are "foreign financial institutions", such holder may be required to enter into an agreement with the Internal Revenue Service or otherwise establish a base for exemption under the rules).

The application of FATCA to interest, principal or other amounts paid with respect to the Securities is not clear. Under recently released proposed regulations, the tax (i) would only apply to payments in respect of the Securities starting on 1 January 2017, and (ii) may only apply to certain types of Securities. If an amount in respect of FATCA were to be deducted or withheld from interest, principal or other payments on the Securities, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Securities, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, if payments in respect of the Securities are subject to FATCA withholding, investors may receive less interest or principal than expected.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on proposed regulations and official guidance that is subject to change. The application of FATCA to Securities may be

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addressed in the relevant Final Terms or a supplement to the Prospectus, as applicable. Holders of Securities should consult their own tax advisers on how these rules may apply to payments they receive under the Securities.

(d) ***No additional amounts will be payable***

Neither the Issuer nor the Guarantor will pay any additional amounts in connection with any payments to be made under the Securities as a result of any withholding or deduction required by law.

(e) ***EU Savings Directive***

Under the EU Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system, and an amount of, or in respect of tax, were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Security as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

2.12 ***Legal investment considerations may restrict certain investments***

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

2.13 ***Hedging***

In connection with the offering of the Securities, the Issuer, the Guarantor and/or any of their affiliates or other parties may enter into one or more hedging transactions with respect to the underlying equities, indices or such other Relevant Asset to which payments under the Securities are related. In connection with such hedging activities or with respect to proprietary or other trading activities by the Issuer, the Guarantor and/or any of their affiliates or other parties, the Issuer, the Guarantor and/or any of its affiliates or other parties may enter into transactions in the Relevant Asset(s) or related derivatives which may affect the market price, liquidity or value of the Securities and which could be deemed to be adverse to the interest of the relevant Securityholders.

It may not be possible to use the Securities as a perfect hedge against the market risk associated with investing in a Relevant Asset. Prospective purchasers intending to purchase Securities to hedge against the market risk associated with investing in a Relevant Asset should recognise the complexities of utilising Securities in this manner. For example, the value of the Securities may not exactly correlate with the value of the Relevant Asset. Due to fluctuating supply and demand for the Securities, there is no assurance that their value will correlate with movements of the Relevant Asset. For these reasons, among others, it may not be possible to purchase or liquidate Securities in a portfolio at the prices used to calculate the value of any Relevant Asset. Please see also the Risk Factor entitled "*Potential conflicts of interest*" above.

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### **2.14 *Postponement or alternative provisions for the valuation of a Relevant Asset may have an adverse effect on the value of the Securities***

If the Calculation Agent determines that any scheduled valuation date (including an averaging date) (i) falls on a day which is not a Scheduled Trading Day or any other day which is subject to adjustment in accordance with the terms and conditions of the relevant Securities and/or (ii) falls on a day in respect of which a disruption or similar event has occurred and is continuing in respect of the Relevant Asset which affects the valuation of such Relevant Asset, the Calculation Agent has broad discretion to make any consequential postponement of, or any alternative provisions for, valuation of such Relevant Asset provided in the terms and conditions of the Securities, including a determination of the value of such Relevant Asset by the Calculation Agent in its discretion, each of which may have an adverse effect on the value of the Securities.

### **2.15 *Partly-paid N&C Securities***

The Issuer may issue N&C Securities where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing some or all of his investment.

### **2.16 *N&C Securities issued at a substantial discount or premium***

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

### **2.17 *Risk of Leveraged Exposure***

Leverage involves the use of a number of financial techniques to increase the exposure to an underlying Relevant Asset, and can therefore magnify both returns and losses. While the use of leverage allows for potential multiples of a return (assuming a return is achieved) when the underlying Relevant Asset moves in the anticipated direction, it will conversely magnify losses when the underlying Relevant Asset moves against expectations. If the relevant Securities include leverage, potential holders of such Securities should note that these Securities will involve a higher level of risk, and that whenever there are losses such losses may be higher than those of a similar security which is not leveraged. Investors should therefore only invest in leveraged Securities if they fully understand the effects of leverage.

### **2.18 *Emerging Markets Risks***

Where the Securities relate to Relevant Assets associated with, or denominated in the currencies of, emerging market countries, investors should note that the risk of the occurrence of and the severity of the consequences of the matters described herein may be greater than they would otherwise be in relation to more developed countries. Emerging markets jurisdictions may be characterised as politically unstable and/or lacking a stable and fully developed economy and financial system and/or lacking in established rule of law. Emerging markets investments generally have greater risks than those from developed jurisdictions including political risk, economic risk, currency risk, market risk, regulatory/legal risk and shareholder risk as further described below:

- *Political risk:* The relative instability of political systems of emerging markets jurisdictions may leave them more vulnerable to public unrest and instability. Such circumstances, in turn, could lead to a reversal of some or all economic or political reform including such policies as confiscatory taxation, exchange controls or expropriation of foreign-owned assets without adequate compensation. Any such policies could have an adverse effect on the value of the Reference Asset(s) and, in turn, the relevant Securities.
- *Economic risk:* Businesses and governments of emerging markets jurisdictions may be relatively inexperienced in dealing with difficult market conditions (such as the on-going global recession) and may have a limited capital base from which to borrow funds. In addition, an emerging markets jurisdiction may lack a developed banking sector and its financial institutions may not be adequately regulated. These factors, among other economic issues, could affect the functioning of the economy and have a corresponding adverse effect on the performance of the Reference Asset(s) and, in turn, the relevant Securities.

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- *Currency risk:* Reference Asset(s) or Securities denominated in the currencies of emerging markets jurisdictions may be subject to greater volatility and possibly the suspension of the ability to exchange or transfer currency, or the devaluation of the currency. See "Currency Risk" above.
- *Market risk:* The financial systems and markets of emerging markets jurisdictions may lack the level of transparency and liquidity found in more developed markets. As a result, such markets may suffer from extreme price volatility, price discrepancies and lack of liquidity. Any such circumstances or events may have an adverse effect on the performance of the Reference Asset(s) and, in turn, the relevant Securities.
- *Regulatory/Legal risk:* In emerging markets jurisdictions there may be less government regulation of business and industry practices, stock exchanges, over-the-counter markets and market participants than in more developed countries. Legislation to safeguard the rights of private ownership and to prevent stock market manipulation may not be fully developed and regulations governing investments in securities may not exist or may be subject to inconsistent or arbitrary application or interpretation and may be subject to change with retroactive effect. The holder of a Reference Asset of an emerging markets jurisdiction may not be able to pursue legal remedies in the courts of such jurisdictions. Any such circumstances or events may have an adverse effect on the performance of the Reference Asset(s) and, in turn, the relevant Securities.
- *Shareholder risk:* Rules in emerging markets jurisdictions regulating the ownership and corporate governance of companies may not exist or may provide little protection to shareholders. Disclosure and reporting requirements in general may be minimal or non-existent. There may be no prohibitions or restrictions under local law on the ability of management to terminate existing business operations, sell or dispose of assets, or otherwise materially affect the value of Santander UK without the consent of its shareholders. Anti-dilution protection may also be very limited. There may be little or no fiduciary duty on the part of management or the directors to Santander UK or to the shareholders as a whole or minority shareholders. Remedies for violations of shareholders' rights may be difficult to obtain. Any such circumstances or events may have an adverse effect on the performance of the Reference Asset(s) and, in turn, the relevant Securities.

### **2.19 *Discontinuation or withdrawal of offer period***

Unless otherwise specified in the applicable Final Terms, the offer period in relation to any Securities may be discontinued at any time.

In addition under certain circumstances indicated in the applicable Final Terms, the Issuer and/or the other entities indicated in the Final Terms will have the right to withdraw or revoke the offer, and the offer will be deemed to be null and void according to the terms indicated in the applicable Final Terms. In such case, any amounts segregated by a distributor or financial intermediary as intended payment of the offer price by an investor will be released to the relevant investor by the distributor or financial intermediary but may or may not accrue interest depending on the agreements between the investor and the relevant distributor or financial intermediary or depending on the policies applied by the distributor or financial intermediary in this regard. In these circumstances, there may also be a time lag in the release of any such amounts and, unless otherwise agreed with the relevant distributor or financial intermediary, no amount will be payable as compensation and the investor may be subject to reinvestment risk.

Unless otherwise provided in the applicable Final Terms, the Issuer and/or the other entities specified in the applicable Final Terms may terminate the offer early by immediate suspension of the acceptance of further subscription requests. Any such termination may occur even where the maximum amount for subscription in relation to that offer (as specified in the applicable Final Terms), has not been reached. In such circumstances, the early closing of the offer may have an impact on the aggregate number of Securities issued and, therefore, may have an adverse effect on the liquidity of the Securities.

Furthermore, under certain circumstances, the Issuer and/or the other entities indicated in the applicable Final Terms will have the right to postpone the originally designated Issue Date. For the avoidance of doubt, this right applies also in the event that the Issuer publishes a supplement to this Prospectus in accordance with the provisions of the Prospectus Directive. In the event that the issue date is so delayed, no compensation or amount in respect of interest shall be payable or otherwise accrue in relation to such Securities unless otherwise agreed between the investor and the relevant distributor or the policies of the distributor or financial intermediary so provide.

### **2.20 *Over-issuance of Securities by the Issuer***

As part of its issuing, market-making and/or trading arrangements, the Issuer may issue more Securities than those which are to be subscribed or purchased by third party investors. The Issuer (or any of its affiliates) may hold such Securities for

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the purpose of meeting any investor interest in the future. Prospective investors in the Securities 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.

### **2.21 *Post-issuance information***

Unless otherwise specified in the applicable Final Terms and save as required by any applicable laws and regulations, the Issuer will not provide post-issuance information in relation to the Securities or the Relevant Asset.

### **2.22 *If the United Kingdom joins the European Monetary Union prior to the maturity of the Securities, the Issuer and the Guarantor cannot assure the Securityholders that this would not adversely affect payments on the Securities***

It is possible that prior to the termination of the Securities the United Kingdom may become a participating member state in the European economic and monetary union and the euro may become the lawful currency of the United Kingdom. In that event (i) all amounts payable in respect of any Securities denominated in pounds sterling may become payable in euro; (ii) applicable provisions of law may allow or require the Issuer to re-denominate such Securities into euro and take additional measures in respect of such Securities; and (iii) the introduction of the euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in pounds sterling used to determine the rates of interest on such securities or changes in the way those rates are calculated, quoted and published or displayed. It cannot be said with certainty what effect, if any, adoption of the euro by the United Kingdom would have on investors in the Securities.

Provisions relating to any such redenomination of the Securities are included in N&C Security Condition 17 (Redenomination) and Warrant Condition 15 (Adjustments for European Monetary Union). Prospective investors should familiarise themselves with these provisions and should note in particular that these provisions permit the Issuer to redenominate the Securities in euro without the consent of any Securityholders, Receiptholders or Couponholders. Such redenomination may be performed in accordance with the provisions of N&C Security Condition 17 (Redenomination) or, if different, the then prevailing market practice for redenomination in euro of internationally offered securities. Prospective investors should note further that the provisions of N&C Security Condition 17 (Redenomination) provide that, in the event of any such redenomination, all unmatured Coupons (whether or not attached to the Securities) and the payment obligations contained in any Securities and Receipts, in each case, issued prior to the date of the redenomination and denominated in the Specified Currency of the Securities will become void and such Securities, Receipts and Coupons will instead constitute valid exchange obligations of the Issuer for exchange for corresponding new euro-denominated Securities, Receipts and Coupons.

### **2.23 *Exchange rate risks and exchange controls***

The Issuer will pay principal, interest and other amounts on the Securities and the Guarantor will make any payments under the Guarantee in the Specified Currency. 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 (1) the Investor's Currency-equivalent yield on the Securities, (2) the Investor's Currency equivalent value of the principal payable on the Securities, and (3) the Investor's Currency equivalent market value of the Securities.

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 or settlement amount than expected, or no interest or principal or settlement amount.

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### **2.24 *The Issuer and the Guarantor may rely on third parties and the Securityholders may be adversely affected if such third parties fail to perform their obligations***

The Issuer and the Guarantor may be a party to contracts with a number of other third parties that have agreed to perform services in relation to the Securities. For example, the Paying Agents and Warrant Agents have agreed to perform services in connection with the Securities; and Euroclear and Clearstream, Luxembourg have, in respect of Global Securities, agreed, *inter alia*, to accept such Global Securities as eligible for settlement and to properly service the same, and to maintain up-to-date records in respect of the total amount or number outstanding of such Global Securities. In the event that any relevant third party was to fail to perform its obligations under the respective agreements to which it is a party, the Securityholders may be adversely affected.

### **3. Risks associated with the N&C Securities**

#### **3.1 *Settlement risks and risk of capital loss***

The Issuer may (as specified in the applicable Final Terms) be entitled to redeem N&C Securities either by payment of a cash amount ("**Cash-Settled N&C Securities**") and/or by physical delivery of all or part of a Relevant Asset or some other asset or property ("**Physically-Settled N&C Securities**"). In certain circumstances, the cash amount payable on Cash-Settled N&C Securities, or the value of assets or property deliverable on Physically-Settled N&C Securities, on redemption of such N&C Securities (whether at maturity or otherwise) may be less than the principal amount of the N&C Securities together with any accrued interest and may in certain circumstances be zero. In addition, in respect of any Physically-Settled N&C Securities, risk of delivery of the relevant asset or property will be the risk of the Securityholders and where any settlement disruption or other intervening event occurs this may mean that physical settlement cannot be made.

#### **3.2 *The inclusion of an Issuer call option in respect of Securities will generally mean that (a) the holder will not be able to participate in any future upside performance of the underlying Relevant Asset(s) following the effective date of the Issuer call option, (b) the market value of the Securities may be limited and (c) if the call option is exercised, the holder may not be able to reinvest the proceeds at an effective interest rate as high as any interest rate on the Securities***

If the applicable Final Terms specify that the N&C Securities are redeemable at the option of the Issuer, the Issuer may redeem such N&C Securities at times when the prevailing interest rates may be relatively low. As a consequence, the yields (if any) received upon redemption may be lower than expected, and the redeemed face amount of the N&C Securities may be lower than the purchase price for the N&C Securities paid by the Securityholder. As a consequence, part of the capital invested by the N&C Securityholder may be lost, so that the Securityholder in such case would not receive the total amount of the capital invested. Accordingly, an investor generally will not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate, if applicable, as high as that of the N&C Securities. Furthermore, during any period when the Issuer may elect to redeem the N&C Securities, the market value of those N&C Securities generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

N&C Securities may also be redeemed early at the applicable Early Redemption Amount where an early redemption event is provided for in the relevant Final Terms. The Early Redemption Amount (other than for Italian MOT Securities) in respect of each N&C Security may be less than the nominal amount or unit issue price of each N&C Security and shall (unless otherwise specified in the applicable Final Terms) be an amount determined by the Calculation Agent as representing the fair market value of such N&C Securities ignoring the circumstances leading to such early redemption, adjusted (other than in the case of Italian SeDeX Securities) to account fully for any reasonable expenses and costs of unwinding any underlying and/or related hedging and funding arrangements (including, without limitation, any equity options, equity swaps or other instruments of any type whatsoever hedging the Issuer's obligations under the N&C Securities). Following any such early redemptions, an investor generally would not be able to reinvest the redemption proceeds at any effective interest rate as high as the interest rate on the relevant N&C Securities being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time. Moreover, each interest-bearing N&C Security may cease to bear interest from the interest payment date immediately preceding the date of occurrence of the event giving rise to early redemption of the N&C Securities.



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### ***3.3 The yield to maturity of the N&C Securities may be adversely affected by redemptions by the Issuer***

The yield to maturity of each series of N&C Securities may depend on: (i) the amount and timing of the repayment of principal or other redemption amounts on the N&C Securities or periodic payments, if any, on the N&C Securities; and (ii) the price paid by the Securityholders of each series. The yield to maturity of the N&C Securities may be adversely affected where such amounts paid by the Issuer to the Securityholders, in accordance with their terms, are lower than anticipated.

### ***3.4 The N&C Securities may be redeemed early if the Issuer's performance under such N&C Securities has become unlawful or impractical in whole or in part for any reason or if certain regulatory event(s) occur, or in certain other circumstances***

In the event that the Calculation Agent determines that the performance of the obligations of the Issuer, or the obligations of the Guarantor under the N&C Securities, or any arrangements made to hedge the Issuer's obligations under the N&C Securities, has or will become unlawful, illegal or otherwise prohibited in whole or in part or a relevant change in any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power (but, if not having the force of law, only if compliance with it is in accordance with the general practice of persons to whom it is intended to apply), or in the interpretation thereof, has occurred or certain other events specified in the relevant Technical Annex (have occurred) the Issuer may redeem or cancel the N&C Securities as at the Early Redemption Amount specified in the applicable Final Terms.

### ***3.5 Time Lag After Redemption***

Unless otherwise specified in the relevant Final Terms, in the case of N&C Securities which the Issuer is required to redeem prior to the Maturity Date at the option of the Securityholder, there will be a time lag between the time a Securityholder gives the instruction to redeem and the time the applicable Optional Redemption Amount is determined by the Calculation Agent. Such time lag could be significantly longer, however, particularly in the case of a delay in the redemption of N&C Securities due to there being a limit on the maximum number of N&C Securities redeemable on any one day, following the imposition of any exchange controls or similar regulations affecting the ability to obtain or exchange any relevant currency (or basket of currencies), or following a determination by the Issuer, or the Calculation Agent, as applicable, that there should be a change or changes to the calculation of the Optional Redemption Amount, or to the terms of the N&C Securities. The applicable Optional Redemption Amount may change significantly during any such period, and such movement or movements could decrease the Optional Redemption Amount, and may result in a Securityholder not realising a return or making a greater less than would otherwise be the case on an investment in the N&C Securities.

### ***3.6 Euro-system Eligibility in relation to N&C Securities***

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 N&C Securities to be recognised and added to the list of eligible assets, there can be no assurance that such N&C Securities will be so recognised, or, if they are recognised, that they will continue to be recognised at all times during their life. None of the Issuer, any Dealer, the Book-Entry Depository or any agent makes any representation or warrants as to the eligibility of any Security for the Eurosystem.

### ***3.7 N&C Securities where denominations involve integral multiples: Definitive N&C Securities***

In relation to any issue of N&C Securities 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 N&C Securities 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 N&C Securities in respect of such holding (should definitive N&C Securities be printed) and would need to purchase a principal amount of N&C Securities such that its holding amounts to a Specified Denomination.

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

### **3.8 *Certain Considerations relating to Book-Entry Interests***

Until and unless definitive N&C Securities in registered form are issued in exchange for the N&C Securities, holders of the Book-Entry Interests will not be considered the owners or holders of N&C Securities with regard to payment. To the extent the N&C Securities are issued in the form of Immobilised Bearer Global N&C Securities, the Book-Entry Depositary or its nominee will be the sole holder of such N&C Securities. The Issuer, the Principal Agent and the Registrar will treat the bearer of the Immobilised Bearer Global N&C Securities as the owner thereof for the purposes of receiving payments and for all other purposes. Upon receipt of amounts owing in respect of the Immobilised Bearer Global N&C Securities, the Book-Entry Depositary will pay the amounts so received to the relevant clearing system(s) for onward payment to applicable owners of Book-Entry Interests in accordance with their procedures. Accordingly, holders of a Book-Entry Interest must rely on the procedures of the relevant clearing system(s) to exercise any rights and remedies of a Securityholder under the Securities.

### **3.9 *Limitations on ownership of Book-Entry Interests***

Ownership of European Book-Entry Interests will be limited to persons with an account with Euroclear and/or Clearstream, Luxembourg or persons who may hold interests through such participants. European Book-Entry Interests will be shown on, and transfers thereof will be affected only through records maintained in book-entry form by Euroclear and/or Clearstream, Luxembourg and their participants.

Ownership of U.S. Book-Entry Interests will be limited to persons who have an account with DTC, including Euroclear and/or Clearstream, Luxembourg, or persons who may hold interests through such participants. U.S. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC and its participants.

The Book-Entry Interests will not be held in definitive form. Instead, DTC, Euroclear and/or Clearstream, Luxembourg (as applicable) will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. Limitations on ownership of Book-Entry Interests may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Immobilised Bearer N&C Securities are in global form, holders of Book-Entry Interests will not be considered the owners or Securityholders of such N&C Securities for any purpose.

### **3.10 *CDI Record Date***

Whenever the Book-Entry Depositary shall receive notice of any action to be taken by it as holder of an Immobilised Bearer Global N&C Security and the Issuer deems it appropriate, including in respect of any payment to be made in respect of an Immobilised Bearer Global N&C Security, the Issuer shall determine and notify the Book-Entry Depositary of a record date (each a "**Record Date**") for the determination of the number of units or principal amount represented by the corresponding CDI. Subject to the provisions of the N&C Securities Depositary Agreement, only the holder in whose name the relevant CDIs are recorded in the Register at the close of business on the relevant Record Date shall be entitled to (i) receive any such payment, (ii) give instructions as to any such action or (iii) act in respect of any such matter, as the case may be.

### **3.11 *CREST Depository Interests***

Investors who hold interests in the N&C Securities through Euroclear UK & Ireland Limited (formerly known as CRESTCo Limited) ("**CREST**") through CREST Depository Interests will not be the legal owners of the N&C Securities (the "**Underlying Securities**") to which such CREST Depository Interests relate. CREST Depository Interests are separate legal instruments from the Underlying Securities and represent indirect interests in the interests of the CREST Nominee (as defined below) in such Underlying Securities. CREST Depository Interests will be issued by the CREST Depository to investors and will be governed by English law.

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The Underlying Securities (as distinct from the CREST Depository Interests representing indirect interests in such Underlying Securities) will be held in an account with a custodian. The custodian will hold the Underlying Securities through the relevant Clearance System. Rights in the Underlying Securities will be held through custodial and depository links through the relevant Clearance System. The legal title to the Underlying Securities or to interests in the Underlying Securities will depend on the rules of the relevant Clearance System in or through which the Underlying Securities are held.

CREST International Nominees Limited or another entity appointed to act as nominee in accordance with the CREST Deed Poll (in the form contained in Chapter 3 of the CREST International Manual (which forms part of the CREST Manual (as defined below)) (the "**CREST Deed Poll**"), (the "**CREST Nominee**") will hold the legal title to the Underlying Securities and the direct enforcement right in respect of the Underlying Securities. This could result in a holder of CREST Depository Interests receiving less than, or none of, the full amount payable in respect of the Underlying Securities in the event of any insolvency or liquidation of any relevant intermediary, in particular where the Underlying Securities held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.

Rights in respect of the Underlying Securities cannot be enforced by holders of CREST Depository Interests except indirectly through CREST Depository Limited or any successor thereto (the "**CREST Depository**") and the CREST Nominee who in turn can enforce rights indirectly through the intermediary depositories and custodians described above. The enforcement of rights in respect of the Underlying Securities will therefore be subject to the local law of the relevant intermediary.

These arrangements could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Securities in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying Securities held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.

If a matter arises that requires a vote of Securityholders, the Issuer (or the Guarantor, as the case may be) may make arrangements to permit the holders of Crest Depository Interests to instruct the CREST Depository to exercise the voting rights of the CREST Nominee in respect of the Underlying Securities. However, there is no guarantee that it will be possible to put such voting arrangements in place for holders of CREST Depository Interests.

Holders of CREST Depository Interests will be bound by all provisions of the CREST Deed Poll and by all provisions of or prescribed pursuant to the CREST International Manual (April 2008) issued by CREST and as amended, modified, varied or supplemented from time to time (the "**CREST Manual**") and the CREST Rules (contained in the CREST Manual) applicable to the CREST International Settlement Links Service. Holders of CREST Depository Interests must comply in full with all obligations imposed on them by such provisions.

Investors in CREST Depository Interests should note that the provisions of the CREST Deed Poll, the CREST Manual and the CREST Rules contain indemnities, warranties, representations and undertakings to be given by holders of CREST Depository Interests and limitations on the liability of the CREST Depository as issuer of the CREST Depository Interests. Holders of CREST Depository Interests may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the money invested by them and the rights of and returns received by holders of CREST Depository Interests may differ from those of holders of Securities which are not represented by CREST Depository Interests.

Investors in CREST Depository Interests should note that holders of CREST Depository Interests may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service. These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the Underlying Securities through the CREST International Settlement Links Service.

Investors in CREST Depository Interests should note that none of the Issuer, the Guarantor, any Dealer or any Agent will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or

## ***Risk Factors***

accountholders acting in connection with CREST Depository Interests or for the respective obligations of such intermediaries, participants or accountholders under the rules and procedures governing their operations.

### **3.12 *Risks relating to Fixed Rate N&C Securities and Floating Rate N&C Securities***

Investment in Fixed Rates N&C Securities involves the risk that subsequent changes in the market interest rates may adversely affect the value of the Fixed Rate N&C Securities.

N&C Securities with floating interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market value may be more volatile than those for securities that do not include these features. An investor may receive substantially less or no interest at all on such Floating Rate N&C Securities.

### **3.13 *Risks relating to Fixed/Floating Rate N&C Securities***

Fixed/Floating Rate N&C Securities may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the N&C Securities since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate N&C Securities may be less favourable than the then prevailing spreads on comparable floating rate notes relating to the same reference rate. In addition, the new floating rate at any time may be lower than the interest rates payable on other N&C Securities. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the then prevailing interest rates payable on its securities.

### **3.14 *Risks relating to Inverse Floating Rate N&C Securities***

Inverse Floating Rate N&C Securities may have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the London Interbank Offered Rate (LIBOR). The market value of Inverse Floating Rate N&C Securities typically is more volatile than the market value of other more conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate N&C Securities are more volatile because an increase in the reference rate not only decreases the interest rate payable on the N&C Securities, but may also reflect an increase in prevailing interest rates, which may further adversely affect the market value of the N&C Securities.

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### **4. Risks associated with the Warrants**

#### **4.1 *Settlement risks and risk of capital loss***

The Issuer may (as specified in the applicable Final Terms) be entitled to settle Warrants either by payment of a cash amount ("**Cash-Settled Warrants**") and/or by physical delivery of all or part of a Relevant Asset or some other asset or property ("**Physically-Settled Warrants**"). In certain circumstances, the cash settlement amount payable on Cash-Settled Warrants, or the value of assets or property deliverable on Physically-Settled Warrants, on settlement of such Warrants (whether at expiration or otherwise) may be less than the initial amount invested and may in certain circumstances be zero. In addition, in respect of any Physically-Settled Warrants, risk of delivery of the relevant asset or property will be the risk of the Warrantheolders and where any settlement disruption or other intervening event occurs this may mean that physical settlement cannot be made.

#### **4.2 *The Warrants may be cancelled early if the Issuer's performance under such Warrants has become unlawful or impractical in whole or in part for any reason or if certain regulatory event(s) occur, or in certain other circumstances***

In the event that the Calculation Agent determines that the performance of the obligations of the Issuer, or the obligations of the Guarantor under the Warrants, or any arrangements made to hedge the Issuer's obligations under the Warrants, has or will become unlawful, illegal or otherwise prohibited in whole or in part or a relevant change in any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power (but, if not having the force of law, only if compliance with it is in accordance with the general practice of persons to whom it is intended to apply), or in the interpretation thereof, has occurred or certain other events specified in the relevant Technical Annex, have occurred, the Issuer may settle or cancel the Warrants as at the Issuer Early Cancellation Amount specified in the applicable Final Terms.

#### **4.3 *Certain Factors Affecting the Value and Trading Price of Warrants***

The Cash Settlement Amount (in the case of Cash Settled Warrants) or the difference in the value of the Entitlement and the Exercise Price (the "**Physical Settlement Value**") (in the case of Physical Delivery Warrants) at any time prior to expiration is typically expected to be different from the trading price of such Warrants at that time. The difference between the trading price and the Cash Settlement Amount or the Physical Settlement Value, as the case may be, will reflect, among other things, the "time value" of the Warrants. The "time value" of the Warrants will depend partly upon the length of the period remaining to expiration and expectations concerning the value of the Relevant Asset. Warrants offer hedging and investment diversification opportunities but also pose some additional risks with regard to interim value. The interim value of the Warrants varies with the price level of the Relevant Asset, as well as by a number of other interrelated factors, including those specified herein.

Before exercising or selling Warrants, Warrantheolders should carefully consider, among other things, (i) the trading price of the Warrants, (ii) the value and volatility of the Relevant Asset, (iii) the time remaining to expiration, (iv) in the case of Cash Settled Warrants, the probable range of Cash Settlement Amounts, (v) any change(s) in interim interest rates and dividend yields if applicable, (vi) any change(s) in currency exchange rates, (vii) the depth of the market or liquidity of the reference index (or basket of indices), share currency (or basket of currencies), or other asset or basis of reference as specified in the applicable Final Terms and (viii) any related transaction costs.

In addition, in the event that a Warrantheolder does not deliver a valid Exercise Notice, in the case of Warrants other than Automatic Exercise Warrants, or an Asset Transfer Notice, in the case of Automatic Exercise Warrants, as contemplated in the Warrant Conditions, the Issuer may, but is not required to, elect to deliver to the relevant Clearance System(s) the aggregate Entitlement in respect of such Warrants, to be divided between and delivered to the relevant Warrantheolders by the relevant Clearance System(s) in accordance with the rules of the relevant Clearance System(s) but no assurance is given as to the effect of such rules or other Clearance System practices for any such Warrantheolders.

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### **4.4 *Delivery of Exercise Notice***

If Automatic Exercise is not specified to be applicable in the applicable Final Terms, unless an Exercise Notice has been delivered in accordance with the Warrant Conditions on or prior to the Expiration Date, the Warrants shall become void and the Issuer shall be discharged from its obligations to pay any Cash Settlement Amount or deliver any Entitlement under the Warrants. In such a case, a Warrantholder will not have any further recourse against the Issuer.

In addition, in respect of Physical Delivery Warrants where Automatic Exercise is specified to be applicable in the applicable Final Terms, if no Asset Transfer Notice is delivered in accordance with the Warrant Conditions on or prior to the Expiration Date, the Conditions provide that in circumstances where the Assessed Value Payment Amount is greater than zero, the Issuer shall pay a cash amount in lieu of delivery of the Entitlement to the relevant Warrantholder.

### **4.5 *Early Cancellation at the Option of the Issuer***

If Issuer Early Cancellation is specified to be applicable in the applicable Final Terms, the Issuer may at its option cancel all the Warrants at the Issuer Early Cancellation Amount. In such a case, Warrantholders will not be able to exercise their Warrants on any Exercise Date occurring after such early cancellation of the Warrants. As a result, if the Relevant Asset performs positively after such early cancellation, Warrantholders will not be able to benefit from such positive performance.

### **4.6 *Early Exercise of Warrants***

Certain Warrants may be specified to become automatically exercised on the occurrence of certain events, including, without limitation, if the Settlement Price during a certain period is lower or greater than a specified level. In such a case, Warrants will be exercised earlier than anticipated.

### **4.7 *Market Disruption Event and Disrupted Day***

If an issue of Warrants includes provisions dealing with the occurrence of a market disruption event or a failure to open of an exchange or related exchange on a Valuation Date or an Averaging Date and the Calculation Agent determines that a market disruption event or such failure has occurred or exists on a Valuation Date or an Averaging Date, any consequential postponement of the Valuation Date or Averaging Date or any alternative provisions for valuation provided in any Warrants may have an adverse effect on the value of such Warrants.

### **4.8 *Settlement Disruption Event***

In the case of Physical Settlement Warrants, if a Settlement Disruption Event occurs or exists on the Settlement Date, settlement will be postponed until the next Settlement Business Day on which no Settlement Disruption Event occurs. The Issuer in these circumstances also has the right to pay the Disruption Cash Settlement Price (as defined in the Conditions) in lieu of delivering the Entitlement. Such a determination may have an adverse effect on the value of the relevant Warrants.

### **4.9 *Exercise Expenses and Taxation***

A holder of Warrants must pay all Exercise Expenses (as defined in Warrant Condition 5, below) relating to the Warrants.

Neither the Issuer nor the Guarantor shall 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, exercise or enforcement of any Warrant and all payments made by the Issuer or the Guarantor will be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid withheld or deducted.

### **4.10 *Limitations on Exercise***

If so indicated in the Final Terms, the Issuer will have the option to limit the number of Warrants exercisable on any date (other than the Expiration Date) to the maximum number specified in the Final Terms and, in conjunction with such

## ***Risk Factors***

limitation, to limit the number of Warrants exercisable by any person or group of persons (whether or not acting in concert) on such date. In the event that the total number of Warrants being exercised on any date (other than the Expiration Date) exceeds such maximum number and the Issuer elects to limit the number of Warrants exercisable on such date, a Warrantholder may not be able to exercise on such date all Warrants that such holder desires to exercise. In any such case, the number of Warrants to be exercised on such date will be reduced until the total number of Warrants exercised on such date no longer exceeds such maximum, such Warrants being selected at the discretion of the Issuer or in any other manner specified in the applicable Final Terms. Unless otherwise specified in the Final Terms, the Warrants tendered for exercise but not exercised on such date will be automatically exercised on the next date on which Warrants may be exercised, subject to the same daily maximum limitation and delayed exercise provisions.

### **4.11 *Time Lag after Exercise***

Unless otherwise specified in the Final Terms, in the case of any exercise of Warrants, there will be a time lag between the time a Warrantholder gives instructions to exercise and the time the applicable Cash Settlement Amount (in the case of Cash Settled Warrants) relating to such exercise is determined. Any such delay between the time of exercise and the determination of the Cash Settlement Amount will be specified in the applicable Final Terms or the applicable Terms and Conditions. However, such delay could be significantly longer, particularly in the case of a delay in exercise of Warrants arising from any daily maximum exercise limitation, the occurrence of a market disruption event or failure to open when scheduled of an exchange or related exchange (if applicable) or following the imposition of any exchange controls or other similar regulations affecting the ability to obtain or exchange any relevant currency (or basket of currencies) in the case of Currency Linked Warrants. The applicable Cash Settlement Amount may change significantly during any such period, and such movement or movements could decrease the Cash Settlement Amount of the Warrants being exercised and may result in such Cash Settlement Amount being zero.

### **4.12 *Minimum Exercise Amount and Units***

If so indicated in the Final Terms, a Warrantholder must tender a specified minimum number of Warrants at any one time in order to exercise Warrants. Thus, Warrantholders with fewer than the specified minimum number of Warrants will either have to sell their Warrants or purchase additional Warrants, incurring transaction costs in each case, in order to realise their investment. Furthermore, holders of such Warrants incur the risk that there may be differences between the trading price of such Warrants and the Cash Settlement Amount (in the case of Cash Settled Warrants) or the Physical Settlement Value (in the case of Physical Delivery Warrants) of such Warrants.

### **4.13 *Option to Vary Settlement***

If the applicable Final Terms in respect of any Warrants indicates that the Issuer has an option to vary settlement in respect of such Warrants, the Issuer may, at its sole and unfettered discretion, elect (i) not to pay the relevant Warrantholders the Cash Settlement Amount, but to deliver or procure delivery of the Entitlement or (ii) not to deliver or procure delivery of the Entitlement, but to make payment of the Cash Settlement Amount on the Settlement Date to the relevant Warrantholders.

In addition, in the event that the Issuer fails to deliver any Entitlement, the Guarantor may in its sole discretion elect to pay the Assessed Value Payment Amount in lieu of delivery.

### **4.14 *Change of law***

The Conditions are based on English law in effect as at the date of this Prospectus. 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 this Prospectus.

### **4.15 *Taxation***

Potential purchasers and sellers of Warrants 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 Warrants are transferred and/or any asset(s) are delivered.

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### **4.16 *Warrants with smaller Multiple Tradeable Size than Minimal Tradeable Size***

In relation to any issue of Warrants which have a Multiple Tradeable Size that is smaller than a Multiple Tradeable Size, in each case expressed in Units, it is possible that such Warrants may be traded in amounts that are not integral multiples of the applicable Minimum Tradeable Size. In such a case, a holder who, as a result of trading such amounts, holds an amount of Warrants that is less than the Minimum Tradeable Size in his account with the relevant clearing system at the relevant time, may not on-sell the Warrants in respect of such holding and would need to purchase further Warrants such that its holding amounts to a Minimum Tradeable Size.

## **5. Risks associated with Securities that are linked to one or more Relevant Asset(s)**

### **5.1 *General considerations with respect to underlying Relevant Assets***

The Securities may involve a high degree of risk, which include, among others, interest rate, corporate, market, foreign exchange, time value and/or political risks, as well as other risks arising from fluctuations in the values of the relevant securities (or basket of securities), index (or basket of indices), commodity (or commodity index) or other underlying assets (each a "**Relevant Asset**") which may be specified in the applicable Final Terms, and general risks applicable to the stock market (or markets) and capital markets. Securities which are linked to the performance of the Relevant Asset may not provide for a predetermined redemption amounts, settlement amounts and/or interest payments, but amounts payable (whether in respect of principal and/or interest or otherwise) or deliverable will be dependent upon the performance of the Relevant Asset(s), which itself may contain substantial risks. If the performance of the Relevant Asset(s) is not in accordance with an investor's expectations this could result in an investor receiving no return and losing the capital that they have invested.

**Prospective purchasers of N&C Securities should recognise that their N&C Securities, other than N&C Securities having a minimum redemption amount (subject to comments above as to Issuer and Guarantor solvency and deduction of taxes and expenses), may be worthless on redemption. Purchasers should be prepared to sustain a total loss of the purchase price of their N&C Securities, except, if so indicated in the applicable Final Terms, to the extent of any minimum redemption attributable to such N&C Securities (again, subject to comments above). This risk reflects the nature of the N&C Securities as an asset which, other factors held constant, tends to decline in value over time and which may become worthless when it is redeemed (except to the extent of any minimum redemption amount subject to adjustments above).**

N&C Securities that are linked to a Relevant Asset and/or the obligations of a Reference Entity may be principal (or capital) protected or non-principal (or capital) protected. Investors in N&C Securities which are not principal (or capital) protected or in Warrants may risk losing their entire investment (including the loss of any transaction costs paid by the investor) if the value of the Relevant Asset and/or obligation of a Reference Entity does not move in the anticipated direction. If the N&C Securities are specified in the applicable Final Terms as having a minimum redemption amount, such N&C Securities are principal (or capital) protected at maturity only and only to such extent. If Securities are redeemed or sold before their scheduled maturity or expiration, they may return less than the minimum redemption amount, the amount invested or even zero. In addition amounts payable may be subject to deductions for taxes or expenses.

Investors should note that certain Securities linked to the performance of the Relevant Assets may not benefit from a minimum redemption amount or minimum cash settlement amount and investors may receive less than the initial investment amount of the Securities and investors are exposed to the full loss of their investment (including the loss of any transaction costs paid by the investor).

**PROSPECTIVE INVESTORS SHOULD NOTE THAT "PRINCIPAL PROTECTION" AND "CAPITAL PROTECTION" FEATURES REMAIN CONTINGENT ON THE ISSUER AND/OR THE GUARANTOR'S ABILITY TO MEET ITS OBLIGATIONS IN FULL. WHERE THE ISSUER AND/OR THE GUARANTOR IS UNABLE TO DO THIS, AN INVESTOR IN A "PRINCIPAL PROTECTED" N&C SECURITY OR A "CAPITAL PROTECTED" N&C SECURITY, WILL NOT RECEIVE BACK ALL OF THE AMOUNT INVESTED IN THE SECURITY AND MAY LOSE ALL OF THEIR INVESTMENT.**



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**Prospective purchasers of Warrants should recognise that their Warrants may expire worthless and should be prepared to sustain a total loss of the purchase price of their Warrants.**

Investments in Securities linked to the performance of a Relevant Asset entail significant risks and may not be appropriate for investors lacking financial expertise. Prospective investors should consult their own financial, tax and legal advisors as to the risks entailed by an investment in such Securities and the suitability of such Securities in light of their particular circumstances and ensure that their acquisition is fully consistent with their financial needs and investment policies, is lawful under the laws of the jurisdiction of their incorporation and/or in which they operate, and is a suitable investment for them to make. The Issuer believes that such Securities should only be purchased by investors that are in a position to understand the special risks that an investment in these instruments involves, in particular relating to options and derivatives and related transactions, and should be prepared to sustain a total loss of the purchase price of their Securities.

In order to realise a return upon an investment in a Security, it may be necessary that an investor must have correctly anticipated the timing and magnitude of an anticipated increase or the absence of a decrease in the value of the Relevant Asset(s) relative to the Issue Price, and must also be correct about when any change will occur. If the value of the Relevant Asset(s) does not increase, or decreases, as the case may be, before such Security is redeemed or settled, part of the investor's investment in such Security may be lost on such redemption or settlement. Other than in respect of N&C Securities which are redeemable prior to the Maturity Date at the option of the Securityholder or Bermudan Style or American Style Warrants, it is likely that the only means by which a Securityholder can realise value from its Securities prior to their Maturity Date or fixed Exercise Date is to sell such Securities at their then market price in the secondary market (if available) (see "*The Issuer and the Guarantor cannot assure a trading market for the Securities will ever develop or be maintained*" above). Assuming all other factors are held constant, the more a Warrant is "out-of-the-money" and the shorter its remaining term to expiration, the greater the risk that purchasers of such Warrants will lose all or part of their investment.

Furthermore, the value of the Relevant Asset(s) may be observed for valuation purposes at a particular time(s) on a particular day(s). Markets in Relevant Assets may move significantly in very short periods of time. As such prospective purchasers should be aware that the value observed for the Relevant Asset may not reflect the value of the Relevant Asset which has prevailed at other times on the relevant valuation day or in the period immediately preceding such day. For example, this may occur if the valuation time falls at any time during a "Flash Crash", similar in nature to that which occurred on the New York Stock Exchange on 6 May 2010, in which the relevant market moves significantly downwards before subsequently correcting shortly afterwards. Whilst the terms of the Securities may include provisions to allow postponement of valuation in the event of certain disruptions in the market, not all significant market movements will be covered by these provisions. Relevant Asset prices at the opening or closing of relevant markets may also be particularly volatile as traditionally many trades are executed at such time. This may itself have an effect on the Relevant Asset prices and consequently the Securities.

In addition, the value of any Relevant Asset and/or obligation of an underlying obligor (a "**Reference Entity**") may depend on a number of interrelated factors, including economic, financial and political events in one or more jurisdictions, including factors affecting capital markets generally and the stock exchange(s) on which any Relevant Asset and/or obligation of a Reference Entity may be traded.

If the formula used to determine any amounts payable in respect of the Securities contains a multiplier or leverage factor, the effect of any fluctuation in the value of the Relevant Assets, the adjustments of the Reference Entity to which the Securities are linked or indexed will be magnified. In recent years, values of certain equities, bonds, notes or other financial instruments, indices and formulae have been volatile and such volatility may be expected in the future. However, past experience is not necessarily indicative of what may occur in the future. The historical experience of the Relevant Assets and/or Reference Entities should not be taken as an indication of future performance of such Relevant Assets and/or Reference Entities during the term of such Security.

The price at which a Securityholder will be able to sell Securities prior to maturity or exercise may be at a discount, which could be substantial, to the market value of such Securities on the Issue Date, if, at such time, the market price of the Relevant Asset(s) and/or obligation(s) of a Reference Entity is below, equal to or not sufficiently above the market price of the Relevant Asset(s) and/or obligation(s) of a Reference Entity on the Issue Date. The historical market prices of any

## ***Risk Factors***

Relevant Asset and/or obligation of a Reference Entity should not be taken as an indication of such Relevant Asset's and/or obligation's future performance during the term of any Security.

Additionally, there may be regulatory and other ramifications associated with the ownership by certain investors of Securities linked to certain Relevant Assets, to obligations of the Reference Entity or to the potential holding of such Relevant Asset or Reference Obligation, where Physical Delivery Securities are envisaged pursuant to the applicable Final Terms. Each purchaser of Securities must conduct its own investigation into its regulatory position with respect to the potential purchase of Securities, and none of the Issuer, the Guarantor, the Dealer or the Calculation Agent assumes any obligation or liability whatsoever to such purchaser in such regard.

None of the Issuer, Guarantor, Calculation Agent nor any Dealer provide any advice with respect to any Relevant Asset or any obligations of a Reference Entity nor make any representation as to its quality, credit or otherwise, and investors in the Securities must rely on their own sources of analysis, including credit analysis with respect to any Relevant Asset and/or Reference Entity. No investigation or review of the Relevant Assets, including, without limitation, any public filings made by the issuer or obligor of the Relevant Assets, has been made by the Issuer or any of its Affiliates for the purposes of forming a view as to the merits of an investment linked to the Relevant Assets. Nor is any guarantee or express or implied warranty made in respect of the selection of the Relevant Assets or is any assurance or guarantee given as to the performance of the Relevant Assets. Potential investors should not conclude that the sale by the Issuer of the Securities is any form of investment recommendation by it or any of its affiliates.

### **5.2 *No Claim against any Relevant Asset***

A Security will not represent a claim against any Relevant Asset and, in the event of any loss, a Securityholder will not have recourse under a Security to any Relevant Asset. The Securities are not in any way sponsored, endorsed or promoted by any issuer, sponsor, manager or other connected person in respect of an underlying Relevant Asset and such entities have no obligation to take into account the consequences of their actions on any Securityholders.

### **5.3 *Risks relating to Equity Linked Securities***

The Issuer may issue Equity Linked Securities where the amount of principal and/or interest or the settlement amount payable are dependent upon the price of or changes in the price of equity securities or a basket of equity securities or where, depending on the price of or change in the price of equity securities or the basket of equity securities, on redemption, settlement or cancellation, the Issuer's obligation is to deliver specified assets. Equity securities may include depositary receipts.

**Potential investors in Equity Linked Securities should be aware that, depending on the terms of the Equity Linked Securities, (i) they may receive no interest or a limited amount of interest, (ii) payment of principal, settlement amount or interest or delivery of any specified assets may occur at a different time than expected, and (iii) they may lose all or a substantial portion of their investment.** In addition, the movements in the price of the equity security or basket of equity securities may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices, and the timing of changes in the relevant price of the equity security or equity securities may affect the actual yield to investors, even if the average level is consistent with their expectations.

In the case of Equity Linked Securities following the declaration by the Share Company (as defined in the (Equity Linked Conditions) of the terms of any Potential Adjustment Event (as defined in the Equity Linked Conditions), the Calculation Agent will, in its sole and absolute discretion, determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Shares and, if so, will (i) make the corresponding adjustment, if any, to any of the terms of the relevant Conditions and/or the applicable Final Terms as the Calculation Agent in its sole and absolute discretion determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and (ii) determine the effective date of that adjustment. Such adjustment may have an adverse effect on the value and liquidity of the affected Equity Linked Securities.

Equity Linked Securities may also be subject to certain disruption provisions. In particular, the Calculation Agent may determine that an event giving rise to a Disrupted Day (as defined in the Equity Linked Conditions) has occurred at any

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relevant time. Any such determination may have an effect on the timing of valuation, and consequently the value of the Equity Linked Securities, and/or may delay settlement in respect of the Securities. In addition certain extraordinary events may lead to early redemption of the Securities or to a change in the composition of the basket of equities (where applicable) in accordance with the criteria specified in the Equity Linked Conditions and such an event may have an adverse effect on the value of the Securities. Whether and how such provisions apply to the relevant Securities can be ascertained by reading the Equity Linked Conditions in conjunction with the applicable Final Terms.

If the amount of principal and/or interest and/or the settlement amount payable are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the price of the equity security or equity securities on principal or interest payable will be magnified.

A holder of the Securities will not be a beneficial owner of the underlying equity securities and therefore will not be entitled to receive any dividends or similar amounts paid on the underlying equity securities, nor will a Securityholder be entitled to purchase the underlying equity securities by virtue of their ownership of the Securities. Moreover, holders of the Securities will not be entitled to any voting rights or other control rights that holders of the underlying equity securities may have with respect to the issuer of such underlying equity securities. Unless otherwise specified in the applicable Final Terms, the Interest Amount and/or Final Redemption Amount, and/or Cash Settlement Amount will not reflect the payment of any dividends on the underlying equity securities. Accordingly, the return on the Securities will not reflect the return an investor would realise if it actually owned the underlying equity securities and received dividends, if any, paid on those securities. Therefore, the yield to maturity based on the methodology for calculating the Final Redemption Amount (in the case of N&C Securities) will not be the same yield as would be produced if the underlying equity securities were purchased directly and held for a similar period.

Where the Securities provide for physical delivery:

- the Calculation Agent may determine that a Settlement Disruption Event is subsisting. A Settlement Disruption Event is an event beyond the control of the Issuer as a result of which, in the opinion of the Calculation Agent, the Issuer cannot make delivery of the specified assets. Any such determination may affect the value of the Securities and/or may delay settlement in respect of the Securities; and
- in the event that an Securityholder does not deliver a valid Asset Transfer Notice as contemplated in the Equity Linked Conditions (in the case of for N&C Securities) or the Warrant Conditions (in the case of Warrants), the Issuer may, but is not required to, elect to deliver to the relevant Clearance System(s) the aggregate Asset Amount in respect of such N&C Securities or Entitlement in respect of such Warrants, to be divided between and delivered to the relevant Securityholders by the relevant Clearance System(s) in accordance with the rules of the relevant Clearance System(s) but no assurance is given as to the effect of such rules or other Clearance System practices for any such Securityholders.

The market price of Equity Linked Securities may be volatile and may be affected by the time remaining to the maturity date or expiration, the volatility of the equity security or equity securities, the dividend rate (if any) and the financial results and prospects of the issuer or issuers of the relevant equity security or equity securities as well as economic, financial and political events in one or more jurisdictions, including factors affecting the stock exchange(s) or quotation system(s) on which any such securities may be traded.

No Share Company or Basket Company (as such terms are defined in the Equity Linked Conditions) will have participated in the preparation of the relevant Final Terms or in establishing the terms of the Equity Linked Securities and none of the Issuer, the Guarantor or any Dealer will be required to make any investigation or enquiry in connection with such offering with respect to any information concerning any such Share Company or Basket Company contained in such Final Terms or in the documents from which such information was extracted. Consequently, there can be no assurance that all events occurring prior to the relevant issue date (including events that would affect the accuracy or completeness of the publicly available information described in this paragraph or in any relevant Final Terms) that would affect the trading price of the share or depositary receipt (where applicable) will have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning such a Share Company or Basket Company could affect the trading price of the share or depositary receipt (where applicable) and therefore the trading price of the Securities.

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The Issuer may vary the manner in which a particular series of Securities are redeemed or exercised, if specified in the applicable Final Terms. At its sole and absolute discretion, it may elect not to pay the relevant Securityholders the Final Redemption Amount or Cash Settlement Amount or to deliver or procure delivery of the relevant Asset Amount or Entitlement, to the relevant Securityholders, as the case may be, and in lieu thereof, deliver or procure the delivery of the relevant Asset Amount or Entitlement or make payment of the Early Redemption Amount or Early Cancellation Amount to the relevant Securityholders. For N&C Securities see Equity Linked Condition 12 (Variation of Settlement) and Credit Linked Condition 23 (Variation of Settlement) herein and for Warrants see General Warrant Condition 4.4 herein.

### ***5.7 Risks relating to Equity Index Linked Securities***

The Issuer may issue Equity Index Linked Securities where the amount of principal and/or interest or the settlement amount payable are dependent upon the level of an equity index or equity indices.

**Potential investors in any such Securities should be aware that, depending on the terms of the Equity Index Linked Securities, (i) they may receive no interest or a limited amount of interest, (ii) payment of principal, settlement amounts or interest may occur at a different time than expected, and (iii) they may lose all or a substantial portion of their investment.** In addition, the movements in the level of the index or indices may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices, and the timing of changes in the relevant level of the index or indices may affect the actual return to investors, even if the average level is consistent with their expectations

Equity Index Linked Securities may be subject to certain disruption provisions. In particular, the Calculation Agent may determine that an event giving rise to a Disrupted Day (as defined in the Equity Index Linked Conditions) has occurred at any relevant time. Any such determination may have an effect on the timing of valuation, and consequently the value of the Securities, and/or may delay settlement in respect of the Securities. In addition certain extraordinary events may lead to early termination of the Securities and such an event may have an adverse effect on the value of the Securities. Whether and how such provisions apply to the Securities can be ascertained by reading the Equity Linked Index Conditions in conjunction with the applicable Final Terms.

If the amount of principal and/or interest payable are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the level of the index or the indices on principal or interest payable will be magnified.

The market price of Equity Index Linked Securities may be volatile and may depend on the time remaining to the maturity date and the volatility of the level of the index or indices. The level of the index or indices may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which any securities comprising the index or indices may be traded.

### ***5.8 Risks relating to Currency Linked Securities and Currency Risk in Securities and Relevant Assets generally***

The Issuer may issue Currency Linked Securities where the amount of principal and/or interest or the settlement amount payable are dependent upon movements in currency exchange rates or are payable in one or more currencies which may be different from the currency in which the Securities are denominated.

**Potential investors in Currency Linked Securities should be aware that, depending on the terms of the Currency Linked Securities, (i) they may receive no interest or a limited amount of interest, (ii) payment of principal, settlement amounts or interest may occur at a different time or in a different currency than expected, and (iii) they may lose all or a substantial portion of their investment.** In addition, movements in currency exchange rates may be subject to significant fluctuations that may not correlate with changes in interest rates or other indices, and the timing of changes in the exchange rates may affect the actual return to investors, even if the average level is consistent with their expectations.

Payments of principal, settlement amounts and interest or other obligations of the Issuer in respect of any Series of Securities may be restricted upon the occurrence of certain disruption events described in the applicable Final Terms. A relevant disruption event may relate to the imposition of currency or exchange controls in any specified country or to a

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nationalisation, or any other circumstance as provided in the applicable Final Terms. Following a relevant disruption event, the Issuer shall be entitled to require the Calculation Agent to adjust the Securities or to redeem or cancel the Securities early or to postpone payments or deliveries in respect of the Securities so long as the relevant disruption event continues provided that if the relevant disruption event continues for a period of two years the Securities shall expire worthless and shall be cancelled.

If the amount of principal and/or interest or settlement amount payable are dependent upon movements in currency exchange rates and are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the currency exchange rates on principal or interest payable will be magnified.

The market price of Currency Linked Securities may be volatile and, if the amount of principal and/or the settlement and/or interest payable are dependent upon movements in currency exchange rates, may depend upon the time remaining to the redemption maturity date or expiration and the volatility of currency exchange rates. Movements in currency exchange rates may be dependent upon economic, financial and political events in one or more jurisdictions.

(a) ***There is generally foreign exchange currency exposure in respect of Securities which provide for payment to be made in a currency which is different to the currency of the Relevant Asset(s)***

Where the terms and conditions of the Securities provide that payment under such Securities will be made in a currency which is different from the currency of the Relevant Asset, and such Securities do not have a "quanto" feature (i.e. the Securities themselves take no account of currency rate movements or otherwise hedge the currency risk), there are additional risks. Holders of such Securities may be exposed not only to the performance of the Relevant Asset but also to the performance of such foreign currency, which cannot be predicted. Investors should be aware that foreign exchange rates are, and have been, highly volatile and determined by supply and demand for currencies in the international foreign exchange markets, which are subject to economic factors, including inflation rates in the countries concerned, interest rate differences between the respective countries, economic forecasts, international political factors, currency convertibility and safety of making financial investments in the currency concerned, speculation and measures taken by governments and central banks (e.g., imposition of regulatory controls or taxes, issuance of a new currency to replace an existing currency, alteration of the exchange rate or exchange characteristics by devaluation or revaluation of a currency or imposition of exchange controls with respect to the exchange or transfer of a specified currency that would affect exchange rates and the availability of a specified currency). Foreign exchange fluctuations between a Securityholder's home currency and the relevant currency in which the repayment amount of the Securities is denominated may affect investors who intend to convert gains or losses from the exercise or sale of Securities into their home currency.

(b) ***There are risks relating to currency-protected or "quanto" Securities which provide for payment to be made in a currency which is different to the currency of the Relevant Asset(s)***

If one or more Relevant Assets are not denominated in the currency of the Securities and at the same time only the performance of the Relevant Asset(s) in their denominated currency is relevant to the payout on the Securities, such Securities are referred to as currency-protected Securities or Securities with a "quanto" feature. Under such feature, the investment return of the Securities depends only on the performance of the Relevant Asset(s) (in the relevant currency) and any change in the rate of exchange between the currency of the Relevant Asset(s) and the Securities is disregarded. Accordingly, the application of a "quanto" feature means that Securityholders will not have the benefit of any change in the rate of exchange between the currency of the Relevant Asset(s) and the Securities that would otherwise increase the performance of the Relevant Asset(s) in the absence of such "quanto" feature. In addition, changes in the relevant exchange rate may indirectly influence the price of the Relevant Asset(s) which, in turn, could have a negative effect on the return on the Securities.

(c) ***The value of the Securities can be affected by currency related events***

The value of any currency, including those currencies specified in any indicative transaction, may be affected by complex political and economic factors. The exchange rate of each currency referenced in a Currency Linked Security is at any moment a result of the supply and demand for the two currencies, and changes in the exchange rate result over time from the interaction of many factors directly or indirectly affecting economic and political conditions in the originating country of each currency, including economic and political developments in other countries. Of particular importance are the

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relative rates of inflation, interest rate levels, the balance of payments and the extent of governmental surpluses or deficits in such countries, all of which are in turn sensitive to the monetary, fiscal and trade policies pursued by the governments of such countries and other countries important to international trade and finance. Foreign exchange rates can either be fixed by sovereign governments or floating. Exchange rates of most economically developed nations are permitted to fluctuate in value. However, governments sometimes do not allow their currencies to float freely in response to economic forces. Governments use a variety of techniques, such as intervention by their central bank or imposition of regulatory controls or taxes, to affect the exchange rates of their respective currencies. They may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. Thus, a special risk in purchasing the Securities is that the liquidity, trading value and amounts payable could be affected by the actions of the sovereign government which could change or interfere with theretofore freely determined currency valuation, fluctuations in response to other market forces and the movement of currencies across borders.

### ***5.9 Risks relating to Commodity Linked N&C Securities***

The Issuer may issue Commodity Linked N&C Securities where the amount of principal and/or interest payable are dependent upon the price or change in the price of a commodity, a basket of commodities, a commodity index or basket of commodity indices (each a "**Commodity Underlying**") or where, depending on the price or change in the price of the relevant Commodity Underlying, on redemption the Issuer's obligation is to deliver specified assets.

**Potential investors in Commodity Linked N&C Securities should be aware that, depending on the terms of the Commodity Linked N&C Securities, (i) they may receive no interest or a limited amount of interest, (ii) payment of principal or interest or delivery of any specified assets may occur at a different time than expected, and (iii) they may lose all or a substantial portion of their investment.** In addition, the movements in the price of the relevant Commodity Underlying may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices, and the timing of changes in the relevant price of the relevant Commodity Underlying may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the greater the change in the price or level of the relevant Commodity Underlying, the greater the effect on yield.

Commodity Linked N&C Securities may be subject to certain disruption provisions or extraordinary event provisions. Relevant events may relate to market disruptions, or other extraordinary events in relation to the relevant commodity or commodities. If the Calculation Agent determines that any such event has occurred this may delay valuations under and/or settlements in respect of the N&C Securities and consequently adversely affect the value of the N&C Securities. In addition certain extraordinary or disruption events may lead to early redemption of the N&C Securities which may have an adverse effect on the value of such N&C Securities. Whether and how such provisions apply to the relevant N&C Securities can be ascertained by reading the Commodity Linked Conditions in conjunction with the applicable Final Terms.

If the amount of principal and/or interest or settlement amount payable are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the price of the relevant Commodity Underlying on principal, interest payable or the amount of specified assets deliverable will be magnified.

The market price of Commodity Linked N&C Securities may be volatile and may depend on the time remaining to the redemption date and the volatility of the price of the relevant Commodity Underlying. The price of commodities may be affected by economic, financial and political events in one or more jurisdictions, including factors affecting the exchange(s) or quotation system(s) on which any such commodities may be traded.

- (a) ***Factors affecting the performance of Commodities may adversely affect the value of the Securities; Commodity prices may be more volatile than other asset classes.***

The prices of commodities may be volatile, and, for example, may fluctuate substantially if natural disasters or catastrophes, such as hurricanes, fires or earthquakes, affect the supply or production of such commodities. Commodity prices are affected by a variety of factors that are unpredictable including, for example, changes in supply and demand relationships, weather patterns and extreme weather conditions, governmental programmes and policies, national and international political, military, terrorist and economic events, fiscal, monetary and exchange control programmes, changes in interest and exchange rates and changes and suspensions or disruptions of market trading activities in commodities and

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related contracts. Commodity prices may be more volatile than other asset classes, making investments in commodities riskier than other investments. A further explanation of some of the factors affecting the price of commodities are:

- ***Supply and demand*** - The planning and management of commodities supplies is very time consuming. This means that the scope for action on the supply side is limited and it is not always possible to adjust production swiftly to take account of demand. Demand can also vary on a regional basis. Transport costs for commodities in regions where they are needed also affect their prices. The fact that some commodities take a cyclical pattern, such as agricultural products which are only produced at certain times of the year, can also result in major price fluctuations.
- ***Liquidity*** - Not all commodities markets are liquid and able to quickly and adequately react to changes in supply and demand. The fact that there are only a few market participants in the commodities markets means that speculative investments can have negative consequences and may distort prices.
- ***Weather conditions and natural disasters*** - Unfavourable weather conditions can influence the supply of certain commodities for the entire year. This kind of supply crisis can lead to severe and unpredictable price fluctuations. Diseases and epidemics can also influence the prices of agricultural commodities.
- ***Direct investment costs*** - Direct investments in commodities involve storage, insurance and tax costs. Moreover, no interest or dividends are paid on commodities. The total returns from investments in commodities are therefore influenced by these factors.
- ***Location*** - Commodities are often produced in emerging market countries, with demand coming principally from industrialised nations. The political and economic situation is however far less stable in many emerging market countries than in the developed world. They are generally much more susceptible to the risks of rapid political change and economic setbacks. Political crises can affect purchaser confidence, which can as a consequence affect commodity prices. Armed conflicts can also impact on the supply and demand for certain commodities. It is also possible for industrialised nations to impose embargos on imports and exports of goods and services. This can directly and indirectly impact commodity prices. Furthermore, numerous commodity producers have joined forces to establish organisations or cartels in order to regulate supply and influence prices.
- ***Changes in tax rates*** - Changes in tax rates and customs duties may have a positive or a negative impact on the profit margins of commodities producers. When these costs are passed on to purchasers, these changes will affect prices.

Any interest and/or the redemption amount or settlement amount payable in respect of a Commodity Linked Security may be reduced (possibly to zero) by any change in the price of the relevant Commodity Underlying. In such circumstances the amount (if any) payable on the redemption or settlement of the Commodity Linked Securities may be significantly less than the holder's original investment in the relevant N&C Securities.

- (b) ***Ownership of the Securities will not entitle an investor to any rights with respect to any futures contracts or commodities included in or tracked by the Relevant Asset(s).***

An investor will not own or have any beneficial or other legal interest in, and will not be entitled to any rights with respect to, any of the commodities or commodity futures included in such Relevant Asset(s). The Issuer will not invest in any of the commodities or commodity futures contracts included in such Relevant Asset(s) on behalf or for the benefit of the Securityholders.

- (c) ***Commodities may reference physical Commodities or Commodity contracts, and certain Commodity contracts may be traded on unregulated or "under-regulated" exchanges.***

Commodities comprise both (i) "physical" Commodities, which need to be stored and transported, and which are generally traded at a "spot" price, and (ii) Commodity contracts, which are agreements either to (a) buy or sell a set amount of an underlying physical Commodity at a predetermined price and delivery period (which may be referred to as a delivery month), or to (b) make and receive a cash payment based on changes in the price of the underlying physical Commodity.

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Commodity contracts may be traded on regulated specialized futures exchanges (such as futures contracts). Commodity contracts may also be traded directly between market participants "over-the-counter" on trading facilities that are subject to lesser degrees of regulation or, in some cases, no substantive regulation. Accordingly, trading in such "over-the-counter" contracts may not be subject to the same provisions as, and the protections afforded to, contracts traded on regulated specialized futures exchanges, and there may therefore be additional risks related to the liquidity and price histories of the relevant contracts and any Securities which reference any such Commodity contracts may have reduced liquidity or greater price volatility or be subject to more extensive market disruptions. At the same time, legislation recently enacted in the United States and pending in the European Union will increase the regulation of many of these "over-the-counter" contracts, including in some cases requiring them to be cleared and traded through regulated facilities, although the extent and nature of such regulation will differ from the regulation of futures contracts.

(d) ***Commodity Linked Securities which are linked to Commodity futures contracts may provide a different return from Commodity Linked Securities linked to the relevant physical Commodity and will have certain other risks.***

The price of a futures contract on a Commodity will generally be at a premium or at a discount to the spot price of the physical Commodity. This discrepancy is due to such factors as (i) the need to adjust the spot price due to related expenses (e.g., warehousing, transport and insurance costs) and (ii) different methods being used to evaluate general factors affecting the spot and the futures markets. In addition, and depending on the Commodity, there can be significant differences in the liquidity of the spot and the futures markets. Accordingly, Commodity Linked Securities which are linked to Commodity futures contracts may provide a different return from Commodity Linked Securities linked to the relevant physical Commodity.

Investments in futures contracts involve certain other risks, including potential illiquidity. A holder of a futures position may find that such position becomes illiquid because certain Commodity exchanges limit fluctuations in such futures contract prices pursuant to "daily limits". Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in the contract can neither be taken nor liquidated unless holders are willing to effect trades at or within the limit. This could prevent a holder from promptly liquidating unfavourable positions and subject it to substantial losses. Futures contract prices in various Commodities occasionally have exceeded the daily limit for several consecutive days with little or no trading. Any such losses in such circumstances could have a negative adverse effect on the return of any Securities the Relevant Asset of which is the affected futures contract. There can be no assurance that any such disruption or any other force majeure (such as an act of God, fire, flood, severe weather conditions, act of governmental authority, or a labour dispute or shortage) will not have an adverse affect on the value of or trading in the Relevant Asset(s), or the manner in which it is calculated, and therefore, the value of the Securities.

In the case of a direct investment in commodity futures contracts, the invested capital may be applied in whole or in part by way of collateral in respect of the future claims of the respective counterparties under the commodity futures contracts. Such capital will generally bear interest, and the interest yield will increase the return of the investor making such direct investment. However, holders of Securities linked to the price of commodity futures contracts do not participate in such interest yields from the hypothetical fully collateralized investment in commodity futures contracts.

(e) ***Additional risks in relation to the "rolling" of commodity futures contracts***

Commodity contracts have a predetermined expiration date, which is the date on which trading of the commodity contract ceases. Holding a commodity contract until expiration will result in delivery of the underlying physical commodity or the requirement to make or receive a cash settlement. Alternatively, "rolling" the commodity contracts means that the commodity contracts that are nearing expiration (the "**Near-dated Commodity Contracts**") are sold before they expire and commodity contracts that have an expiration date further in the future (the "**Longer-dated Commodity Contracts**") are purchased. Investments in commodities apply "rolling" of the component commodity contracts in order to maintain an ongoing exposure to such commodities.

"Rolling" can affect the value of an investment in commodities in a number of ways, including:

- (i) The investment in commodity contracts may be increased or decreased through "rolling": Where the price of a Near-dated Commodity Contract is greater than the price of the Longer-dated Commodity Contract (the commodity is said to be in "**backwardation**"), then "rolling" from the former to the latter will result in exposure



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to a greater number of the Longer-dated Commodity Contracts being taken. Therefore, any loss or gain on the new positions for a given movement in the prices of the commodity contract will be greater than if one had synthetically held the same number of commodity contracts as before the "roll". Conversely, where the price of the Near-dated Commodity Contract is lower than the price of the Longer-dated Commodity Contract (the commodity is said to be in "contango"), then "rolling" will result in exposure to a smaller number of the Longer-Dated Commodity Contract being taken. Therefore, any gain or loss on the new positions for a given movement in the prices of the commodity contract will be less than if one had synthetically held the same number of commodity contracts as before the "roll"; and

- (ii) Where a commodity contract is in "contango" (or, alternatively, backwardation) this may be expected to (though it may not) have a negative (or, alternatively, positive) effect over time: Where a commodity contract is in "contango", then the price of the Longer-dated Commodity Contract will generally be expected to (but may not) decrease over time as it nears expiry. In such event, rolling is generally expected to have a negative effect on an investment in the commodity contract. Where a commodity contract is in "backwardation", then the price of the Longer-dated Commodity Contract will generally be expected to (but may not) increase over time as it nears expiry. In such event, the investment in the relevant commodity contract can generally be expected to be positively affected.

(f) ***Effects of "Rolling" of component commodity futures contracts on commodity indices***

Commodity indices are indices which track the performance of a basket of commodity contracts on certain commodities, depending on the particular index. The weighting of the respective commodities included in a commodity index will depend on the particular index, and is generally described in the relevant index rules of the index. Commodity indices apply "rolling" of the component commodity contracts in order to maintain an ongoing exposure to such commodities. Specifically, as a commodity contract is required to be rolled pursuant to the relevant index rules, the commodity index is calculated as if exposure to the commodity contract was liquidated and exposure was taken to another commodity contract (generally a Longer-dated Commodity Contract) for an equivalent exposure. Accordingly, the same effects as described above with regard to "rolling" on the value of a commodity reference item also apply with regard to the index level of a commodity index.

(g) ***Commodity Linked N&C Securities which are linked to a commodity pool***

Unlike an investment in the Securities, an investment in a collective investment vehicle that invests in futures or swap contracts on behalf of its participants may be regulated as a commodity pool and its operator may be required to be registered with and regulated by the United States Commodity Futures Trading Commission ("CFTC") as a commodity pool operator. Because any Commodity Linked Securities issued will not be regulated by the CFTC as a commodity pool, the Issuer will not be registered with the CFTC as a commodity pool operator, and the Securityholders will not benefit from the CFTC's or any non-U.S. regulatory authority's regulatory protections afforded to persons who trade in futures or swap contracts or who invest in regulated commodity pools.

Commodity indices to which Commodity Linked Securities may be indexed may include over-the-counter contracts (such as swaps and forward contracts) traded on trading facilities that are subject to lesser degrees of regulation or, in some cases, no substantive regulation. As a result, trading in such contracts, and the manner in which prices and volumes are reported by the relevant trading facilities, may not be subject to the same provisions of, and the protections afforded by, the United States Commodity Exchange Act, as amended, or other applicable United States or foreign statutes and related regulations, that govern trading on regulated futures exchanges. In addition, many electronic trading facilities have only recently initiated trading and do not have significant trading histories. As a result, the trading of contracts on such facilities and the inclusion of such contracts in the relevant Commodity Index (as specified in the applicable Final Terms) may be subject to certain risks not presented by most exchange-related futures contracts, including risks related to the liquidity and price histories of the relevant contracts. At the same time, legislation recently enacted in the United States and pending in the European Union will increase the regulation of many of these over-the-counter contracts, including in some cases requiring them to be cleared and traded through regulated facilities, although the extent and nature of such regulation will differ from the regulation of futures contracts.

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(h) ***Legal and regulatory changes relating to the Commodities may lead to an early redemption or early cancellation.***

Commodities are subject to legal and regulatory regimes that may change in ways that could affect the ability of the Issuer and/or any entities acting on behalf of the Issuer engaged in any underlying or hedging transactions in respect of the Issuer's obligations in relation to the Securities to hedge the Issuer's obligations under the Securities, and/or could lead to the early termination of the Securities.

Commodities are subject to legal and regulatory regimes in the United States and, in some cases, in other countries that may change in ways that could negatively affect the value of the Securities. For example, in November 2011, the CFTC adopted rules establishing aggregate position limits on positions in specified commodity futures contracts and economically equivalent swaps. Such rules could have an unpredictable impact on the value of any Commodity Linked Securities. In addition, if the commodities are traded on a non-U.S. exchange, those foreign markets may be more susceptible to disruption than U.S. exchanges due to the lack of a government-regulated clearing house system and may be subject to exchange controls, expropriation, burdensome or confiscatory taxation, or moratoriums and political or diplomatic events.

In addition, if the Calculation Agent determines that an Additional Disruption Event (as defined in the Commodity Linked Conditions) has occurred, the Issuer may either (a) redeem or cancel the Securities prior to maturity or settlement by payment of an Early Redemption Amount or Early Cancellation Amount which may be less than the purchase price of the Securities or (b) amend the terms of the Securities instead as it determines appropriate to account for such event. If the payment on the Securities is accelerated, a holder's investment may result in a loss and a holder may not be able to reinvest the proceeds in a comparable investment. An Additional Disruption Event includes any legal or regulatory changes that the Calculation Agent determines have interfered with the ability of the Issuer and/or any entities acting on behalf of the Issuer engaged in any underlying or hedging transactions in respect of the Issuer's obligations in relation to the Securities to hedge the Issuer's obligations under the Securities, or if for any other reason the Issuer and/or any entities acting on behalf of the Issuer engaged in any underlying or hedging transactions in respect of the Issuer's obligations in relation to the Securities is/are unable to enter into or maintain hedge positions to hedge the Issuer's obligations under the Securities.

5.10 ***Risks relating to Fund Linked Securities***

The Issuer may issue Fund Linked Securities where the amount of principal and/or interest or the settlement amount payable are dependent upon the price or changes in the price of units or shares in a fund or funds or where, depending on the price or changes in the price of units or shares in such fund or funds, on redemption the Issuer's obligation is to deliver specified assets. Funds may include certain exchange traded funds ("ETFs").

**Potential investors in Fund Linked Securities should be aware that, depending on the terms of the Fund Linked Securities, (i) they may receive no interest or a limited amount of interest, (ii) payment of principal or interest or the settlement amount or delivery of any specified assets may occur at a different time than expected, and (iii) they may lose all or a substantial portion of their investment.** In addition, the movements in the price of units or shares in the fund or funds may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices, and the timing of changes in the relevant price of the units or shares in the fund or funds may affect the actual return to investors, even if the average level is consistent with their expectations. In addition, the fund interests may be illiquid and this may adversely affect returns (if any) on the Securities.

Fund Linked Securities may be subject to certain disruption provisions or extraordinary event provisions. Relevant events may relate to market disruptions, or other extraordinary events in relation to the relevant fund or funds and/or, in the case of the ETFs, the corresponding underlying Index. If the Calculation Agent determines that any such event has occurred this may delay valuations under and/or settlements in respect of the Securities and consequently adversely affect the value of the Securities. In addition certain extraordinary or disruption events may lead to early termination of the Securities which may have an adverse effect on the value of such Securities. Whether and how such provisions apply to the relevant Securities can be ascertained by reading the Fund Linked Conditions in conjunction with the applicable Final Terms.

If the amount of principal, interest or the settlement amount payable is determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the price of the units or shares of the fund or funds on principal or interest payable will be magnified.

## ***Risk Factors***

The market price of Fund Linked Securities may be volatile and may depend on the time remaining to the maturity date or expiration and the volatility of the price of units or shares in the fund or funds. The price of units or shares in a fund may be affected by the economic, financial and political events in one or more jurisdictions, including factors affecting the exchange(s) or quotation system(s) (if any) on which any units in the fund or funds may be traded.

Fund units, and investments in hedge funds generally, are speculative and involve a high degree of risk. Neither the Issuer nor the Guarantor gives any assurance as to the performance of fund units. Hedge funds generally do not make information about their operations and holdings public. Even if the Issuer or any of its affiliates may have arrangements with a fund manager to obtain information required to calculate the value of the fund, it may not have access to the activities of the fund on a continuous basis or at all. There may be no regulatory requirements compelling funds to release information of the kind that would allow the Issuer, or any affiliate to value a fund or to accurately determine the value of the fund units and, consequently, the amount of principal and/or interest payable on the relevant Securities.

The Issuer and certain of its Affiliates from time to time obtain information regarding specific hedge funds that may not be available to the general public. Any such information is obtained by the Issuer and certain of its affiliates in the ordinary course of their businesses, and not in connection with the offering of the Securities (including in respect of funds that are managed by managers affiliated with the Issuer). In connection with the ordinary course of their businesses, the Issuer and certain of its affiliates may recommend, or determine not to recommend, specific hedge funds to their clients. Hedge funds as to which the Issuer and certain of its affiliates have formed investment recommendations may now or may in the future be among the underlying funds used in the redemption or payout formula of Securities. Any views that may be held by the Issuer and certain of its affiliates with respect to the expected future performance of one or more of the funds (including in respect of funds that are managed by managers affiliated with the Issuer) would not be an indication of the future expected performance of the fund, and neither the Issuer nor any of its affiliates has formed a view with respect to the expected future performance of a fund. The offering of the Securities does not constitute a recommendation by the Issuer or any of its affiliates with respect to an investment linked to an underlying fund (including in respect of funds that are managed by managers affiliated with the Issuer).

Funds may trade and invest in a broad range of investments such as debt and equity securities, commodities and foreign exchange and may enter into derivative transactions, including, without limitation, futures and options. Funds may often be illiquid and may only be traded on a monthly, quarterly or even less frequent basis. The trading strategies of Funds are often opaque. Funds, as well as the markets and instruments in which they invest, are often not subject to review by governmental authorities, self-regulatory organisations or other supervisory authorities.

Investments made by the underlying funds can involve substantial risks. The nature of these investments means that the value of the fund units may fluctuate significantly during a day or over longer periods. Consequently, the performance of the fund units over a given period will not necessarily be indicative of future performance. A fund and any fund components in which it may invest may utilise, *inter alia*, strategies such as short-selling, leverage, securities lending and borrowing, investment in sub-investment grade or non-readily realisable investments, uncovered options transactions, options and futures transactions and foreign exchange transactions and the use of concentrated portfolios, each of which could, in certain circumstances, magnify adverse market developments and losses. Funds, and any fund components in which it may invest, may make investments in markets that are volatile and/or illiquid and it may be difficult or costly for positions therein to be opened or liquidated. No assurance can be given relating to the present or future performance of any fund and any fund component in which it may invest. The performance of each fund and any fund component in which it may invest is dependent on the performance of the fund managers in selecting fund components and the management of the relevant component in respect of the fund components. No assurance can be given that these persons will succeed in meeting the investment objectives of the relevant fund, that any analytical model used thereby will prove to be correct or that any assessments of the short-term or long-term prospects, volatility and correlation of the types of investment in which a fund has or may invest will prove accurate.

The underlying funds may have recourse to leverage, i.e., borrow amounts that represent more than 100.00 per cent. of the value of their assets to invest further in assets that involve further risks. Accordingly, a small downward movement in the value of a fund's assets may result in a significantly larger loss of the fund.

Fund managers may be eligible to earn incentive compensation. The potential for a fund manager to earn performance based compensation may encourage such fund manager to trade in a more speculative manner than it otherwise would.

## ***Risk Factors***

Fund managers' investments are not verified. Neither the Issuer nor any of its affiliates is or will be responsible for verifying or ensuring that the fund's managers comply with its stated trading strategy.

Fund managers (including a manager that is affiliated with the Issuer) do not have any obligations to the Securityholders, or other role in connection with, the Securities, including any obligation to take the needs of the Securityholders into consideration for any reason. Fund managers are not responsible for, and have not endorsed or participated in, the offering, placement, sale, purchase or transfer of the Securities. The fund's managers are not responsible for, and will not participate in, the determination or calculation of the amounts receivable by Securityholders.

Hedge funds, including the underlying funds, are not subject to the same regulatory regime, or regulated to the same extent as, mutual funds or registered securities or securities offerings. Changes to the current regulatory environment could affect the investment, operations and structure of the underlying funds and could adversely affect the performance of the underlying funds. The underlying funds may invest in assets that involve further risks.

Fees, deductions and charges may reduce the amount of principal and/or interest or settlement amount payable under the Securities. Fund fees will be deducted from the net asset value of the fund, reducing the value of the fund units. Accordingly, to the extent that the amount of principal and/or interest or settlement amount payable under the Securities is linked to the net asset value of a fund, the relevant amount(s) payable to Securityholders will be less than it would have been absent these fees, deductions and charges, but the Issuer or one of its affiliates may be the beneficiary of such fees or obtain rebate on such fees from third parties.

Additional investments in, or withdrawals of amounts previously invested in, the fund may adversely affect the value of the fund units. The Issuer or one of its affiliates, in order to hedge its obligations under the Securities, may enter into a hedging transaction which may directly or indirectly involve investing in units of the underlying funds. Prospective investors should be aware that, as a result of hedging decisions by the hedging counterparty, transfers into or out of the fund by the hedging counterparty may affect the value of the fund units and, in turn, the Final Redemption Amount or Cash Settlement Amount of the Securities.

As funds may be resident in so-called off-shore jurisdictions, which have not entered into any double taxation conventions with other countries, any income of such fund may be subject to taxation in the countries of origin. As such withholding taxes are non-deductible due to the fact that such funds are not subject to income taxation in their countries of residence, this results in a reduction of the net income of such fund and may have a negative impact on the performance of such fund.

The valuation of a fund is generally controlled by the relevant fund manager or the investment adviser (as the case may be) of the fund. Valuations are performed in accordance with the terms and conditions governing the fund. Such valuations may be based upon the unaudited financial records of the fund and any accounts pertaining thereto. Such valuations may be preliminary calculations of the net asset values of the fund and accounts. The fund may hold a significant number of investments which are illiquid or otherwise not actively traded and in respect of which reliable prices may be difficult to obtain. In consequence, the relevant fund manager or the investment adviser may vary certain quotations for such investments held by the fund in order to reflect its judgement as to the fair value thereof. Therefore, valuations may be subject to subsequent adjustments upward or downward. Uncertainties as to the valuation of the fund assets and/or accounts may have an adverse effect on the net asset value of the relevant fund where such judgements regarding valuations prove to be incorrect.

There are numerous additional risks relating to Securities linked to hedge funds and other types of fund, and the applicable Final Terms in respect of such Securities may include additional risk factors. For all of the above reasons, investing directly or indirectly in funds is generally considered to be risky. If the underlying fund does not perform sufficiently well, the value of the Securities will fall and may in certain circumstances be zero.

Prospective investors should review carefully the prospectus, information memorandum and/or offering circular (if any) issued by the relevant fund prior to purchasing any Securities. None of the Issuer, the Guarantor, any Dealer or the Calculation Agent provides any assurance as to the creditworthiness of any relevant fund or any such fund's administrator, custodian, investment manager or adviser or in respect of any prospectus, information memorandum and/or offering circular (if any) issued by any relevant fund.

## *Risk Factors*

### 5.11 *Risks relating to Credit Linked N&C Securities*

#### (a) *General risks relating to Credit Linked N&C Securities*

The Issuer may issue Credit Linked N&C Securities where the amount of principal and/or interest payable are dependent upon whether certain events (each a "**Credit Event**") have occurred in respect of one or more specified entities (a "**Reference Entity**") and, if so, on the value of certain specified assets ("**Reference Obligations**") of the Reference Entity or where, if such events have occurred, on redemption the Issuer's obligation is to deliver certain specified assets ("**Deliverable Obligations**"). In certain circumstances the Calculation Agent may determine Valuation Obligations in a similar manner to Deliverable Obligations. In such case, the Valuation Obligations, as determined by the Calculation Agent, would be used to determine the Final Price. All references in this section to Reference Obligations shall be deemed to include Valuation Obligations, as applicable.

**Potential investors in Credit Linked N&C Securities should be aware that, depending on the terms of the Credit Linked N&C Securities, (i) they may receive no or a limited amount of interest, (ii) payment of principal or interest or delivery of any specified assets may occur at a different time than expected, and (iii) they may lose all or a substantial portion of their investment.**

There may exist at times only small or no markets for the N&C Securities and for the obligations of the Reference Entity to which the N&C Securities are linked, resulting in low or non-existent volumes of trading in the N&C Securities and such obligations, and therefore a lack of liquidity and price volatility of the N&C Securities and such obligations.

In selecting any Reference Obligations hereunder, the Calculation Agent is under no obligation to the Securityholders or any other person and, provided that the obligation selected meets the applicable criteria (if any), is entitled, and indeed will endeavour, to select obligations with the lowest or highest price (depending on who is the buyer) of any obligations which meet such criteria. In making any selection, the Calculation Agent will not be liable to account to the Securityholders or any other person for any profit or other benefit to it or any of its affiliates which may result directly or indirectly from any such selection.

In selecting any substitute Reference Entity, any Valuation Date, any Quotation Amount or any Quotation Time or in making any other selection in accordance with the terms of the N&C Securities, the Calculation Agent is under no obligation to the Securityholders or any other person and provided that the relevant selection meets the criteria specified, the Calculation Agent will not be liable to account to the Securityholders or any other person for any profit or other benefit to it or any of its affiliates which may result directly or indirectly from any such selection.

In addition, the Issuer, the Guarantor and their affiliates may, for their own account and for the account of customers, engage in any kind of transactions and other business directly or indirectly involving a Reference Entity and may act with respect to such business in the same manner as it would if the N&C Securities had not been issued, regardless of whether any such action might have an adverse effect directly or indirectly on a Reference Entity. The Issuer and its affiliates may on the Issue Date of the N&C Securities or at any time thereafter be in possession of information in relation to a Reference Entity that is or may be material in the context of the issue of N&C Securities and that may not be publicly available or known to the purchasers. There is no obligation on the part of the Issuer, the Guarantor or their affiliates to disclose to the Securityholders any such relationship or information.

Upon the occurrence of a Credit Event, there is a risk of the loss of a substantial portion, or all, of the principal amount of the N&C Securities. If a Credit Event Notice is served in connection with a Credit Event of a Reference Entity, the N&C Securities may be subject to redemption at a price which may be at a considerable discount to par and could be zero. Prospective investors therefore risk losing all principal and interest on the N&C Securities. Securityholders will have no right to vote or exercise any other right or remedy with respect to the Reference Entity(ies) or any of its obligations.

Not all of the Credit Events require an actual default with respect to the Reference Entity's(ies') obligations. Thus, Securityholders could bear losses based on deterioration in the credit of the Reference Entity(ies) short of a default, subject to the provisions set out in the applicable Final Terms. In the case of Additional Credit Events if specified in the applicable Final Terms, including any Pass-Through Event, certain Credit Events may be due to events which are unrelated to the creditworthiness of the Reference Entity. Also, not all of the Credit Events are triggered by events which are easily

## ***Risk Factors***

ascertainable and disputes can and have arisen as to whether a specific event with respect to a Credit Event did or did not constitute a Credit Event. The Calculation Agent's good faith, reasonable determination that a Credit Event has or has not occurred will be binding on the Securityholders. The Calculation Agent's view of whether a Credit Event has occurred may be different from the view of the Securityholders or other financial institutions, rating agencies or commentators.

In the event of a Credit Event, Securityholders may receive Deliverable Obligations which may be in default. In this case, under the terms of the applicable Final Terms, the Issuer will be free to deliver any obligations of the Reference Entity in respect of which such Credit Event has occurred (whether as principal, guarantor or otherwise) which satisfy the requirements for a Deliverable Obligation. Such obligations are likely to be in default at the time of delivery. Further, in selecting such obligations the Issuer will not be required to consider the interests of the Securityholders or mitigate the Securityholders' losses. The Issuer may have complete discretion to select the cheapest obligations of the Reference Entity so long as such obligations satisfy the requirements for a Deliverable Obligation.

The market price of Credit Linked N&C Securities may be volatile and will be affected by, amongst other things, the time remaining to the maturity date and the creditworthiness of the Reference Entity which in turn may be affected by the economic, financial and political events in one or more jurisdictions.

Where the N&C Securities provide for physical delivery or where Auction Settlement is the applicable Settlement Method and physical delivery is the applicable Fallback Settlement Method (each as specified in the applicable Final Terms), the Issuer may determine that the Deliverable Obligations are either (a) assets which 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 assets which are loans) it is impossible or illegal to deliver on the Settlement Date, or (b) assets which the Issuer and/or any affiliate has not received under the terms of any transaction entered into by the Issuer and/or such affiliate to hedge the Issuer's obligations in respect of the N&C Securities. Any such determination may delay settlement in respect of the N&C Securities and/or cause the obligation to deliver such specified assets to be replaced by an obligation to pay a cash amount which, in either case, may affect the value of the N&C Securities and, in the case of payment of a cash amount, will affect the timing of the valuation of such N&C Securities and, as a result, the amount of the relevant amount payable on redemption. Whether and how such provisions apply to the relevant N&C Securities can be ascertained by reading the Credit Linked Conditions in conjunction with the applicable Final Terms.

Upon the occurrence of a Credit Event, the Issuer may, at its option, redeem the relevant Credit Linked N&C Securities in which case the Issuer's obligation to pay principal may be replaced by an obligation to pay other amounts calculated by reference to the value of the Reference Obligation(s) and/or to deliver the Deliverable Obligation(s) and, upon the payment of such amounts or the delivery of such Deliverable Obligation(s), any claims or rights of the Securityholders relating to payment shall be extinguished. The Issuer's obligations in respect of Credit Linked N&C Securities are not dependent on the existence of credit exposure of the Issuer to a Reference Entity and the Issuer need not itself suffer any loss nor provide evidence of any loss as a result of the occurrence of a Credit Event.

If so specified in the applicable Final Terms the Issuer may issue certain Portfolio Credit Linked N&C Securities, Portfolio Maturity Settled Credit Linked N&C Securities or first to default Credit Linked N&C Securities. For each such type of N&C Security more than one Reference Entity will be specified and a Securityholders takes credit risk in relation to each such Reference Entity. In the case of Portfolio Credit Linked N&C Securities and Portfolio Maturity Settled Credit Linked N&C Securities a relevant portion of each such N&C Security will be affected by the occurrence of a Credit Event in relation to a relevant Reference Entity and interest, if any, in respect of the N&C Securities will reduce as a result. In the case of Portfolio Credit Linked N&C Securities a partial redemption in cash or by delivery of relevant deliverable obligations may be made as each relevant Credit Event occurs, while in the case of Portfolio Maturity Settled Credit Linked N&C Securities amounts in respect of each Credit Event, if any, will be payable at maturity. In the case of first to default Credit Linked N&C Securities, the first Reference Entity in respect of which a Credit Event occurs will lead to redemption of the N&C Securities on the basis described above as though such N&C Securities were Credit Linked N&C Securities relating to a single Reference Entity. It should also be noted that in the case of first to default Credit Linked N&C Securities, the Calculation Agent may in certain circumstances select a substitute Reference Entity which would not otherwise be a successor to the affected Reference Entity but meets certain industry, credit spread and geographical requirements.

## ***Risk Factors***

The Issuer's obligations in respect of Credit Linked N&C Securities are irrespective of the existence or amount of the Issuer's and/or any 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.

The Issuer may vary the manner in which a particular series of N&C Securities are redeemed, as specified in the applicable Final Terms. At its sole and absolute discretion, it may elect not to pay the relevant Securityholders the Credit Event Redemption Amount or to deliver or procure delivery of the relevant Deliverable Obligations to the relevant Securityholders, as the case may be, and, in lieu thereof, deliver or procure the delivery of the relevant Deliverable Obligations or make payment of the Credit Event Redemption Amount on the Credit Event Redemption Date to the relevant Securityholders. See N&C Security Condition 7 (Redemption and Purchase) below and Credit Linked Condition 23 (Variation of Settlement).

In certain circumstances, in the event that the Calculation Agent is unable to identify a Substitute Reference Obligation prior to the Extension Date, the Issuer shall have the right on or after the Extension Date to early redeem the N&C Securities at the Early Redemption Amount (determined by the Calculation Agent taking into account the creditworthiness of the Reference Entity at the time of early redemption) by notice to Securityholders which may have an adverse effect on the value of the N&C Securities.

The Calculation Agent may from time to time amend any provision of the Credit Linked Conditions to incorporate and/or reflect further or alternative documents from time to time published by ISDA with respect to the settlement of credit derivative transactions and/or the operation or application of determinations by the ISDA Credit Derivatives Determinations Committees which the Calculation Agent and the Issuer determine in a commercially reasonable manner are necessary or desirable to reflect or govern market practice for credit derivative transactions.

Whilst there are many similarities between the terms used in this Prospectus (in particular, in the Credit Linked Conditions) and the terms used in the 2003 ISDA Credit Derivative Definitions (as supplemented from time to time) there are many substantial differences and a prospective investor should understand that the complete terms and conditions of the N&C Securities are as set out in this Prospectus and the applicable Final Terms and that the 2003 ISDA Credit Derivative Definitions are not incorporated by reference herein.

(b) ***Risks relating to Auction Settlement of Credit Linked N&C Securities***

(i) ***Auction Settlement***

Where the Settlement Method specified in the applicable Final Terms in respect of a Series of N&C Securities is Auction Settlement and an Auction Final Price Determination Date occurs, the Auction Final Price will be determined according to an auction procedure set out in the applicable Transaction Auction Settlement Terms, a form of which will be published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and may be amended from time to time. The Auction Final Price determined pursuant to an auction may be less than the market value that would otherwise have been determined in respect of the relevant Reference Obligation. The Issuer and the Securityholders may have little or no influence in the outcome of any such auction.

(ii) ***Auction Final Price and the Issuer's ability to influence the Auction Final Price***

If the N&C Securities are redeemed following the occurrence of a Credit Event, the amount payable in respect of the N&C Securities may be determined by reference to the Auction Final Price determined according to an auction procedure set out in the applicable Transaction Auction Settlement Terms. There is a possibility that the Issuer, the Calculation Agent or one of their affiliates would act as a participating bidder in any such auction. In such capacity, it may take certain actions which may influence the Auction Final Price including (without limitation): (a) providing rates of conversion to determine the applicable currency conversion rates to be used to convert any obligations which are not denominated in the auction currency into such currency for the purposes of the auction; and (b) submitting bids, offers and physical settlement requests with respect to the relevant Deliverable Obligations or Valuation Obligations, as applicable. In deciding whether to take any such action (or whether to act as a participating bidder in any auction), neither the Calculation Agent nor any of its affiliates shall be under an obligation to consider the interests of any Securityholders.

## ***Risk Factors***

### **(iii) *Role of the Credit Derivatives Determinations Committee***

In respect of a Credit Event relating to a Credit Linked N&C Security, prospective purchasers should note that the Credit Derivatives Determinations Committee has the power to make binding decisions on critical issues such as whether a Credit Event has occurred, which obligations are to be valued and whether an auction should take place in accordance with and as more fully described in the Credit Derivatives Determinations Committees Rules, as published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms thereof. Consequently, the payments on the N&C Securities and the timing of any such payments may be affected by any such relevant decisions if Auction Settlement is specified as the applicable Settlement Method for a Series of N&C Securities in the relevant Final Terms.

### **(iv) *Any "Eligible Market Participant" is permitted to deliver a notice to ISDA pursuant to the Credit Derivatives Determinations Committees Rules***

The Credit Derivatives Determinations Committees Rules provide that any "Eligible Market Participant", is permitted to deliver a notice to ISDA requesting that the Credit Derivatives Determinations Committee resolves certain matters in respect of a relevant credit derivatives transaction, including those as set out in the definitions of "Credit Event Resolution Request Date", "Repudiation/Moratorium Extension Condition" and "Succession Event Resolution Request Date" in Credit Linked Condition 14 (Definitions Applicable to Credit Linked N&C Securities) below. An Eligible Market Participant is any party that is a party to a credit derivatives transaction that has, or is deemed to have, incorporated the "2009 ISDA Credit Derivatives Determinations Committees and Auction Settlement Supplement to the 2003 ISDA Credit Derivatives Definitions" or the "2009 ISDA Credit Derivatives Determinations Committees, Auction Settlement and Restructuring Supplement to the 2003 ISDA Credit Derivatives Definitions" in a confirmation (which may include, where applicable, the Issuer, the Calculation Agent or one of their affiliates). The delivery of any such notice and any subsequent resolution made by the Credit Derivatives Determinations Committee may affect the rights of Securityholders to receive payments of interests and principal under the relevant N&C Securities, including a reduction in those payments and/or such payments being made on a date which is earlier or later than would otherwise be the case. Subject to regulatory obligations, none of the Issuer or the Calculation Agent or any of its affiliates will take into account interests of Securityholders if acting as an Eligible Market Participant.

### **(v) *Credit Event and Succession Event Backstop Dates***

In respect of a Credit Event relating to a Series of Credit Linked N&C Securities, a Credit Event will not be determined by the Credit Derivatives Determinations Committee unless a request is submitted to ISDA for the relevant Credit Derivatives Determinations Committee to consider whether the relevant event constitutes a Credit Event within sixty (60) calendar days of the occurrence of such potential Credit Event unless a Credit Event Determination Date has already occurred with respect to such event. For Succession Events the look-back period is ninety (90) calendar days and functions similarly. These provisions mean that there is a time limit on the ability to act on a Credit Event or Succession Event and that it is possible that the N&C Securities could be affected by a Credit Event or Succession Event that took place prior to the Trade Date if Auction Settlement is specified as the applicable Settlement Method for a Series of N&C Securities in the relevant Final Terms.

### **(vi) *Settlement Suspension, Adjustments and Interest Provisions***

The Credit Linked Conditions provide that, if, following the determination of a Credit Event Determination Date in accordance with sub-paragraph (a) of the definition of Credit Event Determination Date but prior to the Physical Settlement Date or, to the extent applicable, a Valuation Date, ISDA publicly announces that the conditions to convening a Credit Derivatives Determinations Committee to determine the occurrence of a Credit Event have been met, the Calculation Agent may at its option determine that the applicable timing requirements of the Credit Linked Conditions and the definitions of Credit Event Redemption Date, Valuation Date, Physical Settlement Period, and any other Credit Linked Condition as determined by the Calculation Agent in its sole discretion, shall toll and be suspended and remain suspended (such period of suspension, a "Suspension Period") until such time as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has resolved (a) that a Credit Event has or has not occurred or (b) not to determine such matters. Once ISDA has publicly announced that the relevant Credit Derivatives Determinations



## ***Risk Factors***

Committee has made such resolution, the relevant timing requirements of the Credit Linked Conditions that have previously tolled or been suspended shall resume on the Business Day following such public announcement by ISDA.

In the event of any such Suspension Period, the Calculation Agent may make (i) such consequential or other adjustment(s) or determination(s) to or in relation to the Credit Linked Conditions as may be desirable or required either during or following any relevant Suspension Period to account for or reflect such suspension and (ii) determine the effective date of such adjustment(s) or determination(s).

In the case of interest bearing N&C Securities, the Issuer shall be obliged to pay interest calculated in accordance with N&C Security Condition 5 (Interest) and the Credit Linked Conditions provided that:

- (i) if a Suspension Period falls in any one or more Interest Period(s), then no interest shall accrue during each portion of an Interest Period during which a Suspension Period exists; and
- (ii) if an Interest Payment Date falls in a Suspension Period, such Interest Payment Date will be deferred until after the end of the Suspension Period.

(vii) ***Amendment of Credit Linked Conditions in accordance with the terms of the N&C Securities***

In addition to any amendments the Calculation Agent may make from time to time to the provisions of the Credit Linked Conditions in accordance with market convention (described above), the Credit Linked Conditions themselves contain certain provisions which permit the Calculation Agent in certain circumstances to make certain adjustments to such Credit Linked Conditions. Such adjustments may affect both payments made to Securityholders under the N&C Securities and the timing of any such payments.

(viii) ***Failure to deliver an Asset Transfer Notice in respect of physically settled Credit Linked N&C Securities***

Where, in respect of any Credit Linked N&C Securities, Physical Settlement is specified as the relevant Settlement Method or applies as the relevant Fallback Settlement Method, and a Securityholders does not deliver a valid Asset Transfer Notice as contemplated under the Credit Linked Conditions, the Issuer may, but is not required to, elect to deliver to the relevant Clearance System(s) the aggregate Asset Amount in respect of such N&C Securities, to be divided between and delivered to the relevant Securityholders by the relevant Clearance System(s) in accordance with the rules of the relevant Clearance System(s) but no assurance is given as to the effect of such rules or other Clearance System practices for any such Securityholders.

### 5.12 ***Risks relating to Inflation Linked Securities***

The Issuer may issue Inflation Linked Securities where the amount of principal and/or interest or the settlement amount payable are dependent upon the level of an inflation/consumer price index or indices.

**Potential investors in any such Securities should be aware that depending on the terms of the Inflation Linked Securities (i) they may receive no interest or a limited amount of interest, (ii) payment of principal, interest or the settlement amount may occur at a different time than expected and (iii) they may lose all or a substantial portion of their investment.** In addition, the movements in the level of the inflation/consumer price index or indices may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and the timing of changes in the relevant level of the index or indices may affect the actual return to investors, even if the average level is consistent with their expectations.

Inflation Linked Securities may be subject to certain disruption provisions or extraordinary event provisions. Relevant events may relate to market disruptions, or other extraordinary events in relation to the relevant level of inflation/consumer price index or indices. If the Calculation Agent determines that any such event has occurred this may delay valuations under and/or settlements in respect of the Securities and consequently adversely affect the value of the Securities. In addition certain extraordinary or disruption events may lead to early termination of the Securities which may have an adverse effect on the value of the Securities. Whether and how such provisions apply to the relevant Securities can be ascertained by reading the Inflation Linked Conditions in conjunction with the applicable Final Terms.

## ***Risk Factors***

If the amount of principal and/or interest or the settlement amount payable are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the level of the inflation/consumer price index or the indices on principal or interest payable will be magnified.

A relevant consumer price index or other formula linked to a measure of inflation to which the Securities are linked may be subject to significant fluctuations that may not correlate with other indices. Any movement in the level of the index may result in a reduction of the interest payable on the N&C Securities (if applicable) or, in the case of Securities with a redemption amount or settlement amount linked to inflation, in a reduction of the amount payable on redemption or settlement which in some cases could be less than the amount originally invested or zero.

The timing of changes in the relevant consumer price index or other formula linked to the measure of inflation comprising the relevant index or indices may affect the actual yield to investors on the Securities, even if the average level is consistent with their expectations.

An index to which interest payments and/or the redemption amount or settlement amount of Inflation Linked Securities are linked is only one measure of inflation for the relevant jurisdiction, and such Index may not correlate perfectly with the rate of inflation experienced by Securityholders in such jurisdiction.

The market price of Inflation Linked Securities may be volatile and may depend on the time remaining to the maturity date or expiration and the volatility of the level of the index or indices. The level of the inflation/consumer price index or indices may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which any securities comprising the inflation/consumer price index or indices may be traded.

### **5.13 *Risks relating to Property Index Linked Securities***

The Issuer may issue Property Linked Securities where the amount of principal and/or interest or the settlement amount payable are dependent upon the level of a property index or indices.

**Potential investors in any such Securities should be aware that depending on the terms of the Property Linked Securities (i) they may receive no interest or a limited amount of interest, (ii) payment of principal, interest or the settlement amount occur at a different time than expected and (iii) they may lose all or a substantial portion of their investment.** In addition, the movements in the level of the property index or indices may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and the timing of changes in the relevant level of the index or indices may affect the actual return to investors, even if the average level is consistent with their expectations.

Property Linked Securities may be subject to certain disruption provisions or extraordinary event provisions. Relevant events may relate to market disruptions, or other extraordinary events in relation to the relevant property index or indices. If the Calculation Agent determines that any such event has occurred this may delay valuations under and/or settlements in respect of the Securities and consequently adversely affect the value of the Securities which may have an adverse effect on the value of the Securities. In addition certain extraordinary or disruption events may lead to early termination of the Securities. Whether and how such provisions apply to the relevant Securities can be ascertained by reading the Property Linked Conditions in conjunction with the applicable Final Terms.

If the amount of principal and/or interest or the settlement amount payable are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the level of the property index or the indices on principal or interest payable will be magnified.

The market price of Property Linked Securities may be volatile and may depend on the time remaining to the maturity date and the volatility of the level of the index or indices. The level of the property index or indices may be affected by the economic, financial and political events in one or more jurisdictions, including the stock exchange(s) or quotation system(s) on which any securities comprising the property index or indices may be traded.

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### **5.14 *Risks relating to Dual Currency N&C Securities***

#### ***Investment in Dual Currency N&C Securities may be negatively affected by changes in exchange rates and exchange controls***

With respect to an investment in Dual Currency N&C Securities that are denominated and/or payable in a Specified Currency, there will be significant risks associated with such an investment, including the possibility of material changes in the exchange controls by the applicable governments. The Issuer and the Guarantor have no control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for the applicable currencies. Moreover, if payments on Dual Currency N&C Securities are determined by reference to a formula containing a multiplier or leverage factor, the effect of any change in the exchange rates between the applicable currencies will be magnified. In recent years, exchange rates between certain currencies have been highly volatile and volatility between such currencies or with other currencies may be expected in the future. Fluctuations between currencies in the past are not necessarily indicative, however, of fluctuations that may occur in the future. Depreciation of the payment currency would result in a decrease in the equivalent yield of the Dual Currency N&C Securities, in the equivalent value of the principal generally, and in the equivalent market value of the Dual Currency N&C Securities. Governmental exchange controls could affect exchange rates and the availability of the payment currency on a required payment date. Even if there are no exchange controls, it is possible that the payment currency will not be available on a required payment date due to circumstances beyond the Issuer's or the Guarantor's control.

### **6. Risk factors relating to the Issuer, the Guarantor and the Group**

The Issuer is a wholly-owned subsidiary of the Guarantor, which is an indirect wholly-owned subsidiary of Banco Santander. The principal activity of the Issuer is to provide treasury, corporate and wholesale banking services. As part of this activity the Issuer provides a treasury function, incorporating liquidity, funding, capital and risk management products to Santander UK. It also provides treasury services, supplying products and risk management services for other financial services companies, and corporate banking services principally to small and medium sized UK companies. As a result, the Issuer's ability to meet and perform its obligations may be affected by any inability of third parties to perform obligations owed to the Issuer.

The Guarantor and its subsidiaries (the "**Group**") provide a comprehensive range of personal financial services, including savings and investments, mortgages, unsecured lending, banking, pensions, life and general insurance products to customers throughout the United Kingdom. In addition, the Group provides offshore operations in certain jurisdictions. As a result, the Guarantor's ability to meet and perform its obligations may be affected by the performance of the Group.

#### **6.1 *The Group's operating results, financial condition and prospects may be materially impacted by economic conditions in the UK***

The Group's business activities are concentrated in the UK and on the offering of mortgage and savings-related products and services. As a consequence, the Group's operating results, financial condition and prospects are significantly affected by economic conditions in the UK generally, and by the UK property market in particular.

In 2008 and 2009, the UK property market suffered a significant correction as a consequence of housing demand being constrained by a combination of rising unemployment, subdued earnings growth, greater pressure on disposable income, a decline in the availability of mortgage finance and the continued effect of global market volatility. Although the UK economy began to grow again in 2009 after the recession that followed the financial crisis, the ongoing sovereign debt crisis throughout the eurozone, elevated unemployment rates and high inflation (which hit real average earnings growth and consequently consumer spending) led to slower growth in 2011. GDP fell in the final quarter of 2011 which raised the prospect of a renewed economic downturn in the UK.

Adverse changes in the credit quality of the Group's borrowers and counterparties or a general deterioration in UK or global economic conditions could reduce the recoverability and value of the Group's assets and require an increase in the Group's level of provisions for bad and doubtful debts. Likewise, a significant reduction in the demand for the Group's products and services could negatively impact Santander UK's business and financial condition. UK economic conditions and uncertainties may have an adverse effect on the quality of the Group's loan portfolio and may result in a rise in

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delinquency and default rates. The Group recorded impairment loss allowances on loans and advances to customers of £1,563m, £1,655m and £1,299m at 31 December 2011, 2010 and 2009, respectively. There can be no assurance that the Group will not have to increase its provisions for loan losses in the future as a result of increases in non-performing loans or for other reasons beyond its control. Any increases in the Group's provisions for loan losses and write-offs/charge-offs could have a material adverse effect on the Group's operating results, financial condition and prospects.

As in several other economies, the UK Government has taken measures to address the exceptionally high level of national debt, including tax increases and public spending cuts. Political involvement in the regulatory process and in the major financial institutions in which the UK Government has a direct financial interest is set to continue. UK Government demands for financial institutions to increase lending to support the economic recovery will increase competition for deposits, potentially narrowing margins.

The combination of slow economic recovery, UK Government intervention and competition for deposits will maintain the pressure on the Group's retail business model. Credit quality could be adversely affected by a further increase in unemployment. These negative conditions in the UK, together with any related significant reduction in the demand for the Group's products and services, could have a material adverse effect on the Group's operating results, financial condition and prospects.

### **6.2 *The Group's operating results, financial condition and prospects may be negatively affected by conditions in global financial markets***

The extreme volatility and disruption in global capital and credit markets since 2008 has led to severe dislocation of financial markets around the world, an unprecedented reduction in available liquidity and increased credit risk premiums for many market participants. This has caused severe problems at many of the world's largest commercial banks, investment banks and insurance companies, a number of which are the Group's counterparties or customers in the ordinary course of business. These conditions have also resulted in a material reduction in the availability of financing, both for financial institutions and their customers, compelling many financial institutions to rely on central banks and governments to provide liquidity and, in some cases, additional capital during this period. Governments around the world have sought to provide this liquidity in order to stabilise financial markets and prevent the failure of financial institutions.

Although conditions have eased to some extent since 2009, the volatility of the capital and credit markets has continued and liquidity problems remain, exacerbated recently by fears concerning the financial health of a number of European governments. Greece and other eurozone economies came under increased pressure in 2011, with concerns focused on the sustainability of their sovereign debt. These continuing sovereign debt concerns and the related fiscal deterioration in eurozone economies may continue to accentuate the existing disruption in the capital and credit markets. The continuing market instability and reduction of available credit have contributed to lower consumer confidence, increased market volatility, increased funding costs, reduced business activity and, consequently, increasing commercial and consumer loan delinquencies, and market value declines on debt securities held by the Group, all of which could have a material adverse effect on the Group's operating results, financial condition and prospects.

### **6.3 *The Group may suffer adverse effects as a result of the ongoing economic and sovereign debt crisis in the eurozone***

The financial health of a number of European governments was shaken by a sovereign debt crisis that escalated throughout 2011, contributing to volatility of the capital and credit markets. The sustainability of the sovereign debt of Greece and certain other eurozone economies remains uncertain.

The risk of contagion throughout and beyond the eurozone remains. A significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by nations which are under considerable financial pressure. Should any of those nations default on their debt, or experience a significant widening of credit spreads, major financial institutions and banking systems throughout Europe could be destabilised, resulting in the further spread of the ongoing economic crisis. Although the Group conducts the majority of its business in the UK, it has some limited direct and indirect exposure to financial and economic conditions throughout the eurozone economies. In addition, general financial and economic conditions in the UK, which directly affect the Group's operating results, financial condition and prospects, may deteriorate as a result of conditions in the eurozone.

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While authorities throughout the European Union continue to work towards developing a political structure or economic plan to address the fiscal instability of certain eurozone nations, the ongoing economic crisis has increased the risk of a break-up of the eurozone. A break-up of the eurozone could have a dramatic impact on the whole financial sector, creating new challenges in sovereign and corporate lending and resulting in significant disruptions in financial activities at both the market and retail levels.

Furthermore, concerns that the eurozone sovereign debt crisis could worsen may lead to the reintroduction of national currencies in one or more eurozone countries or possibly the abandonment of the euro. The departure or risk of departure from the euro by one or more eurozone countries and/or the abandonment of the euro as a currency could have major negative effects on both existing contractual relations and the fulfilment of obligations by the Group and/or customers of the Group, which would have a significant negative impact on the activity, operating results and capital and financial position of the Group.

### **6.4 *The Group's risk management measures may not be successful***

The management of risk is an integral part of all of the Group's activities. Risk constitutes the Group's exposure to uncertainty and the consequent variability of return. Specifically, risk equates to the adverse effect on profitability or financial condition arising from different sources of uncertainty including credit risk (retail, wholesale and corporate), market risk, operational risk, securitisation risk, non-traded market risk, concentration risk, liquidity and funding risk, reputational risk, strategic risk, pension obligation risk, residual value risk and regulatory risk. The Group seeks to monitor and manage its risk exposure through a variety of separate but complementary financial, credit, market, operational, compliance and legal reporting systems. While the Group employs a broad and diversified set of risk monitoring and risk mitigation techniques, such techniques, and the judgements that accompany their application, cannot anticipate every unfavourable event or the specifics and timing of every outcome. Accordingly, the Group's ability to successfully identify and balance risks and rewards, and to manage all material risks, is important. Failure to manage such risks appropriately could have a significant effect on the Group's operating results, financial condition and prospects. For example, failure to manage the credit risk (retail) associated with mortgage lending could result in the Group making mortgage loans outside of appropriate risk parameters and potentially resulting in higher levels of default or delinquency on the Group's mortgage loan assets.

### **6.5 *The Group has a significant exposure to the UK real estate market***

The residential mortgage loan portfolio is one of the Group's principal assets, comprising 85 per cent. of its loan portfolio as of 31 December 2011. As a result, the Group is highly exposed to developments in the residential property market in the United Kingdom.

From 2002 to 2006, demand for housing and mortgage finance in the UK increased significantly driven by, among other things, sustained economic growth, declining unemployment rates, restrictions on new residential property building, demographic trends and the increasing prominence of London as an international financial centre. During 2007, the housing market began to adjust in the UK as a result of deteriorating affordability, slower real income growth and some reduction in credit availability.

From 2007, economic growth stalled, recession hit and unemployment rose in the UK and as a consequence housing demand decreased and credit availability reduced. Real estate prices declined and mortgage delinquencies increased. This adversely affected the credit performance of real estate-related exposures, in residential mortgages and also loans to the real estate sector by Corporate Banking. These property market conditions may continue to affect consumer confidence levels and cause further adverse movements in real estate markets. In turn this may cause adverse changes in repayment patterns, causing increases in delinquencies and default rates, which may impact the Group's provision for credit losses and write-offs/charge-offs. Trends such as these could have a material adverse effect on the Group's operating results, financial condition and prospects.

### **6.6 *Risks concerning borrower credit quality are inherent in the Group's business***

Risks arising from changes in credit quality and the recoverability of loans and amounts due from borrowers and counterparties are inherent in a wide range of the Group's businesses. Adverse changes in the credit quality of the Group's

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borrowers and counterparties, as a result of a general deterioration in UK or global economic conditions, or arising from systemic risks in the financial systems, could reduce the recoverability and value of the Group's assets and require an increase in the Group's level of provisions for bad and doubtful debts.

The Group estimates and establishes reserves for credit risks and potential credit losses inherent in its credit exposure. This process, which is critical to its results and financial condition, requires difficult, subjective and complex judgements, including forecasts of how these economic conditions might impair the ability of its borrowers to repay their loans. As is the case with any such assessments, the Group may fail to estimate accurately the impact of factors that it identifies. Any such failure may have a material adverse impact on the Group's operating results, financial condition and prospects.

### **6.7 *The soundness of other financial institutions could materially and adversely affect the Group's business***

The Group's ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness, or perceived commercial soundness, of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. The Group has exposure to many different industries and counterparties, and routinely executes transactions with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mutual funds and other institutional clients. Defaults by or even rumours or questions about one or more financial services institutions, or the financial services industry generally, can lead to market-wide liquidity problems and could result in losses for the Group or other institutions as well as increased funding costs. Many transactions expose the Group to credit risk in the event of default of the Group's counterparty or client. In addition, the Group's credit risk may be exacerbated when the collateral held by the Group cannot be realised or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to the Group. There is no assurance that any such losses would not materially and adversely affect the Group's operating results, financial condition and prospects.

### **6.8 *Risks associated with liquidity and funding are inherent in the Group's business***

Liquidity risk is the risk that the Group, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure them only at excessive cost. This risk is inherent in any retail and commercial banking business and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding, changes in credit ratings or market-wide phenomena such as market dislocation. While the Group has implemented liquidity management processes to seek to mitigate and control these risks, unforeseen systemic market factors in particular make it difficult to eliminate completely these risks. Adverse and continued constraints in the supply of liquidity, including inter-bank lending, has affected and may materially and adversely affect the cost of funding the Group's business, and extreme liquidity constraints may affect the Group's current operations as well as limit growth possibilities. Such events may also have a material adverse effect on the market value and liquidity of bonds issued by the Group in the secondary markets. The prime residential mortgage securitisation and covered bond primary and secondary markets, which are important sources of funding for the Group, continue to experience severe disruptions as a result of constrained liquidity and a material reduction in investor demand for these securities. Global investor confidence also remains low and other forms of wholesale funding remain relatively scarce.

Continued or worsening disruption and volatility in the global financial markets could have a material adverse effect on the Group's ability to access capital and liquidity on financial terms acceptable to it.

The Group's cost of obtaining funding is directly related to prevailing market interest rates and to its credit spreads. Credit spreads are the amount in excess of the interest rate of Government benchmark securities, of the same maturity that the Group needs to pay to its funding providers. Increases in interest rates and its credit spreads can significantly increase the cost of the Group's funding. Changes in the Group's credit spreads are market-driven, and may be influenced by market perceptions of its creditworthiness. Changes to interest rates and its credit spreads occur continuously and may be unpredictable and highly volatile.

If wholesale markets financing ceases to become available, or becomes excessively expensive, the Group may be forced to raise the rates it pays on deposits, with a view to attracting more customers, and/or to sell assets, potentially at depressed prices. While central banks around the world have made coordinated efforts to increase liquidity in the financial markets, by taking measures such as increasing the amounts they lend directly to financial institutions, lowering interest rates and

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significantly increasing temporary reciprocal currency arrangements (or swap lines), it is not known how long central bank schemes will continue or on what terms. The Bank of England's Special Liquidity Scheme was not extended when it expired at the end of January 2012. Although there are no indications from the Monetary Policy Committee that policy interest rates are likely to be raised in the near future, and financial markets do not expect rates to rise in 2012, it always remains possible that the Bank of England might raise interest rates in the near term, thereby increasing the cost of the Group's funding. The persistence or worsening of these adverse market conditions, and the withdrawal of such central bank schemes or an increase in base interest rates, could have a material adverse effect on the Group's ability to access liquidity and cost of funding (whether directly or indirectly).

The Group relies, and will continue to rely, primarily on commercial deposits to fund lending activities. The ongoing availability of this type of funding is sensitive to a variety of factors outside the Group's control, such as general economic conditions and the confidence of commercial depositors in the economy, in general, and the financial services industry in particular, and the availability and extent of deposit guarantees, as well as competition between banks for deposits. Any of these factors could significantly increase the amount of commercial deposit withdrawals in a short period of time, thereby reducing the Group's ability to access commercial deposit funding on appropriate terms, or at all, in the future. If these circumstances were to arise, this could have a material adverse effect on the Group's operating results, financial condition and prospects.

### **6.9 *The Group is subject to regulatory capital and liquidity requirements that could limit its operations, and changes to these requirements may further limit and adversely affect its operating results, financial condition and prospects***

As a bank Santander UK is subject to capital adequacy requirements adopted by the UK Financial Services Authority (the "FSA") which provide for a minimum ratio of total capital to risk-adjusted assets both on a consolidated basis and on a solo-consolidated basis (the basis used by the FSA solely for the purpose of the calculation of capital resources and capital resources requirements, which comprises Santander UK and certain subsidiaries), expressed as a percentage. Any failure by the Group to maintain its ratios may result in administrative actions or sanctions which may affect the Group's ability to fulfil its obligations.

In response to the recent financial crisis, the FSA has imposed, and may continue to impose, more stringent capital adequacy requirements, including increasing the minimum regulatory capital requirements imposed on the Group. For instance, the FSA has adopted a supervisory approach in relation to certain UK banks, including Santander UK, under which those banks are expected to maintain Tier 1 Capital in excess of the minimum levels required by the existing rules and guidance of the FSA. The FSA is currently considering, and in the process of consulting on, changes to the eligibility criteria for Tier 1 Capital as well as provisions that may result in banks being required to increase the level of regulatory capital held in respect of trading book risks. This consultation is taking place ahead of the UK implementation of the recent amendments and proposed amendments to the EU-wide capital adequacy requirements (as set out in the amended Directive 2006/48/EC and Directive 2006/49/EC, collectively referred to as the 'Capital Requirements Directive').

On 5 October 2009, the FSA published its new liquidity rules which significantly broadened the scope of the existing liquidity regime. These are designed to enhance regulated firms' liquidity risk management practices. As part of these reforms, the FSA has implemented requirements for financial institutions to hold prescribed levels of specified liquid assets and have in place other sources of liquidity to address the institution-specific and market-wide liquidity risks that institutions may face in short-term and prolonged stress scenarios.

On 16 December 2010 and 13 January 2011, the Basel Committee on Banking Supervision issued its final guidance on a number of fundamental reforms to the regulatory capital framework intended to strengthen minimum capital requirements (referred to as Basel III). The changes in Basel III include, among other things, phasing out Innovative Tier 1 Capital instruments with incentives to redeem and implementing a leverage ratio on institutions in addition to current risk-based regulatory capital requirements. As essentially a retail bank lending mostly on secured residential mortgages, Santander UK's current leverage ratio is high, reflecting the low risk-weighting of its assets. Basel III also requires institutions to build counter-cyclical capital buffers that may be drawn upon in stress scenarios, as well as increasing the amount and quality of Tier 1 Capital that institutions are required to hold. The changes brought about by Basel III will be phased in gradually between January 2013 and January 2019. The most recent Basel capital rules have raised the minimum level of tangible common equity capital from 2 to 7 per cent. of risk-weighted assets, however it is not yet known whether the FSA will require UK banks to hold a further buffer above this level.

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Regulators in the UK and world-wide have produced a range of proposals for future legislative and regulatory changes which could force the Group to comply with certain operational restrictions or take steps to raise further capital, or could increase the Group's expenses, or otherwise adversely affect its operating results, financial condition and prospects. These include:

- the introduction of recovery and resolution planning requirements (popularly known as 'living wills') for banks and other financial institutions as contingency planning for the failure of a financial institution that may affect the stability of the financial system;
- implementation of the Financial Services Act 2010, which enhances the FSA's disciplinary and enforcement powers;
- the introduction of more regular and detailed reporting obligations; and
- a proposal in the ICB's recommendations to require large UK retail banks to hold a minimum Core Tier 1 to risk-weighted assets ratio of at least 10 per cent., which is, broadly, 3 per cent. higher than the minimum capital levels required under Basel III.

These measures could have a material adverse effect on the Group's operating results, financial condition and prospects. There is a risk that changes to the UK capital adequacy regime (including any introduction of a minimum leverage ratio) may result in increased minimum capital requirements, which could reduce available capital and thereby adversely affect the Group's profitability and ability to pay dividends, continue organic growth (including increased lending), or pursue acquisitions or other strategic opportunities (unless the Group were to restructure its balance sheet in order to reduce the capital charges incurred pursuant to the FSA's rules in relation to the assets held, or alternatively raise additional capital but at increased cost and subject to prevailing market conditions). In addition, changes to the eligibility criteria for Tier 1 Capital may affect the Group's ability to raise Tier 1 Capital or the eligibility of existing Tier 1 Capital resources.

There is also a risk that implementing and maintaining enhanced liquidity risk management systems may incur significant costs and more stringent requirements to hold liquid assets may materially affect the Group's lending business as more funds may be required to acquire or maintain a liquidity buffer, thereby reducing future profitability.

6.10 ***Any reduction in the credit rating assigned to the Group, any member of the Group or to any Group debt securities would be likely to increase the Group's cost of funding, require additional collateral to be placed and adversely affect its interest margins and liquidity position***

Credit ratings affect the cost and other terms upon which the Group is able to obtain funding. Rating agencies regularly evaluate the Group and certain members of the Group, as well as their respective debt securities. Their ratings are based on a number of factors, including the financial strength of the Group or of the relevant member, as well as conditions affecting the financial services industry generally. There can be no assurance that the rating agencies will maintain the Group's or the relevant member's current ratings or outlook, or with regard to those rating agencies who may have a negative outlook on the Group, there can be no assurances that such agencies will revise such outlooks upwards, especially in light of the difficulties in the financial services industry and the financial markets.

Any reduction in those ratings and outlook would be likely to increase the cost of the Group's funding, limit access to capital markets, and require additional collateral to be placed, and consequently, adversely affect the Group's interest margins and/or affect its liquidity position. For example, a ratings downgrade could adversely affect the Group's ability to sell or market certain of its products, such as subordinated securities and engage in certain longer-term and derivatives transactions. It could also adversely affect the Group's ability to retain customers or attract new investors, particularly those who look for a minimum rating threshold in order to invest. Any of these could, in turn, reduce the Group's liquidity and have an adverse effect on the Group's operating results, financial condition and prospects.



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### **6.11 *Fluctuations in interest rates, bond and equity prices and other market factors are inherent in the Group's business***

The Group faces significant interest rate and bond and equity price risks. Fluctuations in interest rates could adversely affect the Group's operations and financial condition in a number of different ways. An increase in interest rates generally may decrease the relative value of the Group's fixed rate loans and raise the Group's funding costs, although such an increase would be offset to some extent by an increase in income from variable rate loans. Such an increase could also generally decrease the relative value of fixed rate debt securities in the Group's securities portfolio. In addition, an increase in interest rates may reduce overall demand for new loans and increase the risk of customer default, while general volatility in interest rates may result in a gap between the Group's interest rate-sensitive assets and liabilities. Interest rates are sensitive to many factors beyond the Group's control, including the policies of central banks and, in particular, the Bank of England, as well as domestic and international economic conditions and political factors. It remains difficult to predict any changes in economic or financial market conditions.

Continued declines in housing markets over the past four years have adversely affected the credit performance of real estate-related loans and resulted in write-downs of asset values by many financial institutions (including the Group). These write-downs, initially of asset-backed securities but spreading to other securities and loans, have caused many financial institutions to seek additional capital, to reduce or eliminate dividends, to merge with larger and stronger institutions and, in some cases, to fail. Reflecting concern about the stability of the financial markets generally and the strength of counterparties, many lenders and institutional investors have reduced funding to borrowers, including to other financial institutions. As a result of these market forces, volatility in interest rates and basis spreads has increased, which has increased the Group's borrowing costs.

Any further increase in wholesale funding costs or deposit rates could precipitate a re-pricing of loans to customers, which could result in a reduction of volumes, and could also have an adverse effect on the Group's interest margins. While the Group would also expect to increase lending rates, there can be no assurance that it would be able to offset in full or at all its funding costs and, in addition, may face competitive pressure to pass on interest rate rises to retain existing and attract new customer deposits.

The Group also sponsors a number of defined benefit staff pension schemes, and its obligations to those schemes may increase depending on the performance of financial markets. Although the Group is taking measures to mitigate and control the effects of these conditions, there can be no assurances that such controls will insulate the Group from deteriorating market conditions.

### **6.12 *Currency fluctuations may adversely affect the Group's operating results, financial condition and prospects***

The Group is exposed to risk from fluctuations in exchange rates for currencies, particularly the US dollar and the euro. In particular, a substantial portion of the Group's outstanding debt is denominated in currencies other than the British pound sterling, which is the primary currency of the Group's financial reporting. The Group's capital is also stated in pound sterling and it does not fully hedge its capital position against changes in currency exchange rates. Although the Group seeks to hedge most of its currency risk through hedging and purchase of cross-currency swaps, these hedges do not eliminate currency risk and the Group can make no assurance that it will not suffer adverse financial consequences as a result of currency fluctuations. Significant exchange rate volatility and the depreciation of the pound sterling in particular could have an adverse impact on the Group's results of operations and its ability to meet its US dollar and euro-denominated obligations, and could have a material adverse effect on the Group's operating results, financial condition and prospects.

### **6.13 *Market conditions have, and could result, in material changes to the estimated fair values of financial assets of the Group. Negative fair value adjustments could have a material adverse effect on the Group's operating results, financial condition and prospects***

In the past four years, financial markets have been subject to significant stress resulting in steep falls in perceived or actual financial asset values, particularly due to the recent volatility in global financial markets and the resulting widening of credit spreads. The Group has material exposures to securities and other investments that are recorded at fair value and are therefore exposed to potential negative fair value adjustments. Asset valuations in future periods, reflecting then prevailing market conditions, may result in negative changes in the fair values of the Group's financial assets and these may also

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translate into increased impairments. In addition, the value ultimately realised by the Group on disposal may be lower than the current fair value. Any of these factors could require the Group to record negative fair value adjustments, which may have a material adverse effect on its operating results, financial condition or prospects.

In addition, to the extent that fair values are determined using financial valuation models, such values may be inaccurate or subject to change, as the data used by such models may not be available or may become unavailable due to changes in market conditions, particularly for illiquid assets, and particularly in times of economic instability. In such circumstances, the Group's valuation methodologies require it to make assumptions, judgements and estimates in order to establish fair value, and reliable assumptions are difficult to make and are inherently uncertain and valuation models are complex, making them inherently imperfect predictors of actual results. Any consequential impairments or write-downs could have a material adverse effect on the Group's operating results, financial condition and prospects.

### **6.14 *A core strategy of Santander UK is to grow the Group's operations and it may not be able to manage such growth effectively, which could have an adverse impact on its profitability***

The Group allocates management and planning resources to develop strategic plans for organic growth, and to identify possible acquisitions and disposals and areas for restructuring the Group's businesses. The Group cannot provide assurance that it will, in all cases, be able to manage its growth effectively or deliver its strategic growth objectives. Challenges that may result from the strategic growth decisions include the Group's ability to:

- manage efficiently the operations and employees of expanding businesses;
- maintain or grow its existing customer base;
- assess the value, strengths and weaknesses of investment or acquisition candidates;
- finance strategic investments or acquisitions;
- fully integrate strategic investments, or newly-established entities or acquisitions in line with its strategy;
- align its current information technology systems adequately with those of an enlarged Group;
- apply its risk management policy effectively to an enlarged Group; and
- manage a growing number of entities without over-committing management or losing key personnel.

Any failure to manage growth effectively, including relating to any or all of the above challenges associated with the Group's growth plans, could have a material adverse effect on the Group's operating results, financial condition and prospects.

### **6.15 *Santander UK may incur unanticipated losses related to its business combinations***

Santander UK has made several business acquisitions in recent years, including the acquisition of Alliance & Leicester plc in January 2009 and the retail deposits, branch network and related employees of Bradford & Bingley in September 2008. In October and November 2010, Santander UK also acquired the following Banco Santander, S.A. entities:

- Santander Cards Limited, Santander Cards UK Limited (and its subsidiaries) and Santander Cards Ireland Limited;
- Santander Consumer (UK) plc (of which Santander UK already held 49.9%); and
- Santander PB UK (Holdings) Limited (of which Santander UK already held 51%) and its subsidiaries.

In addition, in August 2010, Santander UK reached an agreement to acquire those parts of the banking business of the Royal Bank of Scotland Group which are carried out through its Royal Bank of Scotland branches in England and Wales and its NatWest branches in Scotland (the 'RBS Acquisition') upon completion of the acquisition.

Santander UK's assessment of the businesses acquired in October and November 2010 and to be acquired under the RBS Acquisition is based on certain assumptions with respect to operations, profitability, asset quality and other matters that may prove to be incorrect. In the case of the RBS Acquisition, this assessment was also based on limited information, as

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there were no standalone audited financial statements in respect of the relevant assets. There can be no assurance that the Group will not be exposed to currently unknown liabilities resulting from these business combinations. Any unanticipated losses or liabilities could have a material adverse effect on the Group's operating results, financial condition and prospects.

### **6.16 *The Group may fail to realise the anticipated benefits of Santander UK's recent or proposed business combinations***

The success of the Group's business combinations will depend, in part, on the Group's ability to realise the anticipated benefits from combining the businesses of Alliance & Leicester, Bradford & Bingley, those acquired in October and November 2010 and the assets to be acquired under the RBS Acquisition, with the Group's business. It is possible that the integration process could take longer or be more costly than anticipated. The eventual integration of the assets to be acquired under the RBS Acquisition is dependent upon, among other things, the successful transition to Partenon (the proprietary IT platform used by the Banco Santander group). Any delay could result in additional costs to the Group and mean that the Group does not receive the full benefit anticipated from such acquisition. The Group's efforts to integrate these businesses are also likely to divert management attention and resources. If the Group takes longer than anticipated or is not able to integrate these businesses, the anticipated benefits of the Group's business combinations may not be realised fully or at all. Any failure to realise all or any of the anticipated benefits of these business combinations could have a material adverse effect on the Group's operating results, financial condition and prospects.

### **6.17 *Goodwill impairments may be required in relation to certain of Santander UK's acquired businesses***

Santander UK has made business acquisitions in recent years and will acquire certain assets under the RBS Acquisition. It is possible that the goodwill which has been attributed, or will be attributed, to these businesses may have to be written-down if Santander UK's valuation assumptions are required to be reassessed as a result of any deterioration in their underlying profitability, asset quality and other relevant matters. In 2011 there was a £60m impairment related to Cater Allen Private Bank as a result of a reassessment of the value of certain parts of the business in light of recent market conditions and regulatory developments. Impairment testing in respect of goodwill is performed annually, more frequently if there are impairment indicators present, and comprises a comparison of the carrying amount of the cash-generating unit with its recoverable amount. There can be no assurances that Santander UK will not have to write down the value attributed to goodwill in the future, which would adversely affect the Group's results and net assets.

### **6.18 *The Group's business is conducted in a highly competitive environment***

The market for UK financial services is highly competitive, and the recent financial crisis has reshaped the banking landscape in the UK, reinforcing both the importance of a retail deposit funding base and strong capitalisation. The Group expects such competition to intensify in response to consumer demand, technological changes, the impact of consolidation, regulatory actions and other factors. If financial markets remain unstable, financial institution consolidation may continue (whether as a result of the UK Government taking ownership and control over other financial institutions in the UK or otherwise). Financial institution consolidation could also result from the UK Government disposing of its stake in those financial institutions it currently controls. Such consolidation could adversely affect the Group's operating results, financial condition and prospects. The potential increase in competition could result in declining lending margins or competition for savings driving up funding costs that cannot be recovered from borrowers, all of which could adversely affect the Group's operating results, financial condition and prospects.

In addition, if the Group's customer service levels were perceived by the market to be materially below those of its UK competitor financial institutions, the Group could lose existing and potential business. If the Group is not successful in retaining and strengthening customer relationships, it may lose market share, incur losses on some or all of its activities or fail to attract new deposits or retain existing deposits, which could have a material adverse effect on its operating results, financial condition and prospects.

### **6.19 *Operational risks are inherent in the Group's business***

Operational Risk losses can result from many actions, including fraud, criminal acts, errors by employees, employee misconduct, unauthorised breaches of authorities, failure to document transactions properly or to obtain proper authorisation, failure to comply with regulatory requirements and conduct of business rules, failure or breakdown of accounting, data processing and other record keeping systems, natural disasters, or failure or breakdown of external

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systems, including those of the Group's suppliers or counterparties. Such operational losses could have a material adverse effect on the Group's operating results, financial condition and prospects.

Nothing in this risk factor should be taken to imply that either the Issuer or the Guarantor will be unable to comply with their obligations as a company with Securities admitted to the Official List or as a supervised firm regulated by the UK Financial Services Authority.

### **6.20 *The Group relies on recruiting, retaining and developing appropriate senior management and skilled personnel***

The Group's continued success depends in part on the continued service of key members of its management team. The ability to continue to attract, train, motivate and retain highly qualified and talented professionals is a key element of Santander UK's strategy. The successful implementation of Santander UK's growth strategy depends on the availability of skilled management, both at its head office and at each of its business units. If Santander UK or one of its business units or other functions fails to staff their operations appropriately or loses one or more of its key senior executives, and fails to replace them in a satisfactory and timely manner, its operating results, financial condition and prospects, including control and operational risks, may be adversely affected. Likewise, if Santander UK fails to attract and appropriately train, motivate and retain qualified and talented professionals, its business may be affected.

### **6.21 *Reputational risk could cause harm to the Group and its business prospects***

The Group's ability to attract and retain customers and conduct business transactions with its counterparties could be adversely affected to the extent that its reputation, the reputation of Banco Santander, S.A. (as the majority shareholder in Santander UK), or the reputation of affiliates operating under the "Santander" brand or any of its other brands is damaged. Failure to address, or appearing to fail to address, various issues that could give rise to reputational risk could cause harm to the Group and its business prospects. Reputational issues include, but are not limited to: appropriately addressing potential conflicts of interest; legal and regulatory requirements; ethical issues; adequacy of anti-money laundering processes; privacy issues; customer service issues; record-keeping; sales and trading practices; proper identification of the legal, reputational, credit, liquidity and market risks inherent in products offered; and general company performance (including the quality of Santander UK's customer services). A failure to address these issues appropriately could make customers unwilling to do business with the Group, which could adversely affect its operating results, financial condition and prospects.

### **6.22 *Legislative, regulatory and governmental oversight and current banking reform initiatives and requirements could have a material adverse effect on the Group***

The Group is subject to extensive financial services laws, regulations, administrative actions and policies in each location in which the Group operates (including in the US and, indirectly, in Spain as a result of being part of the Santander Group). During the recent market turmoil, there have been unprecedented levels of government and regulatory intervention and scrutiny, and changes to the regulations governing financial institutions and the conduct of business. In addition, in light of the financial crisis, regulatory and governmental authorities are considering, or may consider, further enhanced or new legal or regulatory requirements intended to prevent future crises or otherwise assure the stability of institutions under their supervision. It is anticipated that this intensive approach to supervision will be continued by the successor regulatory authorities to the FSA.

Recent proposals and measures taken by governmental, tax and regulatory authorities and future changes in supervision and regulation, in particular in the UK, which are beyond the Group's control, could materially affect the Group's business, value of assets and the Group's operations, and result in significant increases in operational costs. Products and services offered by the Group could also be affected. The FSA is taking a more intrusive approach in respect of financial products and this power will be further enhanced with the introduction of the successor conduct regulatory authority to the FSA. Changes in UK legislation and regulation to address the stability of the financial sector may also affect the competitive position of the UK banks, including Santander UK, particularly if such changes are implemented before international consensus is reached on key issues affecting the industry, for instance in relation to the FSA's regulations on liquidity risk management and also the UK Government's introduction of the bank levy. Although the Group works closely with its regulators and continually monitors the situation, future changes in law, regulation, fiscal or other policies can be

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unpredictable and are beyond the control of the Group. No assurance can be given generally that laws or regulations will be adopted, enforced or interpreted in a manner that will not have an adverse effect on the Group's business.

On 16 June 2010, the Chancellor of the Exchequer announced the creation of the Independent Commission on Banking (the "ICB"), chaired by Sir John Vickers. The ICB was asked to consider structural and related non-structural reforms to the UK banking sector to promote financial stability and competition, and to make recommendations to the Government by the end of September 2011. The ICB gave its recommendations on 12 September 2011 and proposed: (i) implementation of a retail ring fence, (ii) increased capital requirements and (iii) improvement of competition. The Government published its response to the ICB's recommendations on 19 December 2011, broadly endorsing them. A consultation paper is due from the Government in Spring 2012 setting out detailed proposals for the implementation of the ICB's recommendations. Implementation of the proposals may require the Group to make changes to its structure and business. In addition, the resolution of a number of issues, including regulatory investigations and reviews and court cases, affecting the UK financial services industry could have an adverse effect on the Group's operating results, financial condition and prospects, or its relations with its customers and potential customers.

### **6.23 *UK tax changes (including the UK bank levy) could have a material adverse effect on the Group's business***

HM Treasury has introduced a new and permanent bank levy via legislation in the Finance Act 2011. The UK bank levy is imposed on (amongst other entities) UK banking groups and subsidiaries, and therefore applies to the Group. The amount of the bank levy is based on a bank's total liabilities, excluding (amongst other things) Tier 1 Capital, insured retail deposits and repos secured on sovereign debt. A reduced rate is applied to longer-term liabilities.

HM Treasury has emphasised that the bank levy will not be regarded as insurance against future bank failures and that it is exploring the costs and benefits of imposing a financial activities tax on the profits and remuneration of banking groups. As forecast 2011 receipts from the bank levy are expected to fall short of the £2.5billion target, bank levy rates were increased by 12.8% from 1 January 2012.

The UK bank levy, and possible future changes in the taxation of banking groups in the European Union, could have a material adverse effect on the Group's operating results, financial condition and prospects, and the competitive position of UK banks, including Santander UK.

### **6.24 *The Group is exposed to various forms of legal and regulatory risk which could have a material adverse effect on its operating results, financial condition and prospects or relations with its customers***

The Group is exposed to many forms of legal and regulatory risk, which may arise in a number of ways. Primarily:

- certain aspects of the Group's business may be determined by the Bank of England, the FSA, HM Treasury, the Financial Ombudsman Service ("FOS") or the courts as not being conducted in accordance with applicable laws or regulations, or, in the case of the FOS, with what is fair and reasonable in the FOS's opinion;
- the alleged misselling of financial products, resulting in disciplinary action or requirements to amend sales processes, withdraw products, or provide restitution to affected customers, all of which may require additional provisions.
- the Group holds accounts for entities that might be or are subject to interest from various regulators, including the UK's Serious Fraud Office, those in the US and others. The Group is not aware of any current investigation into the Group as a result of any such enquiries, but cannot exclude the possibility of the Group's conduct being reviewed as part of any such investigations; and
- the Group may be liable for damages to third parties harmed by the conduct of its business.

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The FSA carries out regular and frequent reviews of the conduct of business by financial institutions including banks. An adverse finding by the regulator could result in the need for extensive changes in systems and controls, business policies, and practices coupled with customer redress, fines and reputational damage.

In addition, the Group faces both financial and reputational risk where legal or regulatory proceedings, or the Financial Ombudsman Service, or other complaints are brought against it in the UK High Court or elsewhere, or in jurisdictions outside the UK, including other European countries and the United States.

Failure to manage these risks adequately could have a material adverse effect on the Group's reputation, its operating results, financial condition and prospects.

### **6.25 *The structure of the financial regulatory authorities in the UK and the UK regulatory framework that applies to members of the Group is the subject of reform and reorganisation***

The UK Government announced proposals in June 2010 to reform the institutional framework for UK financial regulation. Specifically, the UK Government intends to replace the FSA with two new successor bodies.

In July 2010 and February 2011, HM Treasury published consultations on proposals to replace the FSA with a new Prudential Regulation Authority (the "**PRA**"), which will be responsible for micro-prudential regulation of financial institutions that manage significant risks on their balance sheets, and a new Financial Conduct Authority (the "**FCA**") which will be responsible for regulation of conduct of business. HM Treasury proposes, amongst other things, that the FCA will have product intervention powers, and that cooperation will exist between the FCA and the FOS, particularly where issues identified potentially have wider implications. Draft guidance has also been published on how the FCA and PRA will interact.

In June 2011 HM Treasury published a further consultation document, including a draft Bill, which reiterates the proposals to replace the FSA with the PRA and the FCA and suggests that the regulatory approach under the new regime will be more intrusive than the existing regime and will challenge business models and governance culture in particular. HM Treasury intends that the Bill will become law by the end of 2012, with the new regime intended to come into effect in 2013. To prepare for this change, the FSA will be adopting a 'twin peaks' model internally and will have two supervisors; one focusing on prudential matters and the other on conduct.

Substantial reorganisation of the regulatory framework has the potential to cause administrative and operational disruption for the regulatory authorities concerned. This disruption could impact on the resources which the FSA or the successor authorities are able to devote to the supervision of regulated financial services firms, the nature of their approach to supervision and accordingly, the ability of regulated financial sector firms (including members of the Group) to deal effectively with their supervisors and to anticipate and respond appropriately to developments in regulatory policy.

It is anticipated that future changes in the nature of, or policies for, prudential and conduct of business supervision, as performed by the successor authorities to the FSA, will differ from the current approach taken by the FSA and that this could lead to a period of some uncertainty for members of the Group. The Financial Services Bill, which has been put before Parliament, not only details proposals for the creation of the FCA and PRA but also contains provisions enabling consumer credit regulation to be transferred from the OFT to the FCA. This decision will be subject to further consultation. Should this change occur, its introduction will bring about another reform to the institutional framework.

No assurance can be given that further changes will not be made to the regulatory regime in the UK generally, the Group's particular business sectors in the market or specifically in relation to the Group. Any or all of these factors could have a material adverse effect on the conduct of the business of the Group and, therefore, also on its strategy and profitability, and its ability to respond to and satisfy the supervisory requirements of the relevant UK regulatory authorities.

### **6.26 *Various reforms to the mortgage lending market have been proposed which could require significant implementation costs or changes to the business strategy of the Group***

In March 2009, the Turner Review, "A regulatory response to the global banking crisis", was published and set out a detailed analysis of how the global financial crisis began along with a number of recommendations for future reforms and

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proposals for consultation. In the Turner Review, it was announced that the FSA would publish a discussion paper considering the possibility of a move towards the regulation of mortgage products (in addition to the product providers) and other options for reform of the mortgage market. This discussion paper (Discussion Paper 09/3) was published in October 2009 and launched the FSA's Mortgage Market Review ("**MMR**"). The review involved a consultation concerning various potential reforms to the regulatory framework applicable to mortgage lenders and mortgage intermediaries, including mortgage firms' conduct of business, product distribution and advice, and their handling of arrears and repossessions.

Separately, in January 2011, HM Treasury announced a package of measures with the aim of enhancing consumer protection in the mortgage market. The measures provide for the transfer of the regulation of new and existing second charge residential mortgages from the OFT to the FSA, and provide for consumer protection when a mortgage book is sold by a regulated mortgage lender to an unregulated firm.

On 19 December 2011, the FSA issued its latest MMR consultation containing proposals for a change in the rules relating to the UK mortgage market. Key changes will require lenders to (i) verify borrowers income; (ii) check that interest-only mortgages can be repaid; and (iii) make sure that borrowers can pay for their mortgage after retirement. The consultation closes on 30 March 2012 and the FSA hopes to make a final decision on the definitive form of rules by Summer 2012. The ultimate impact of such measures on the Group is uncertain and no assurance can be given that such changes and any further reforms considered as part of the MMR will not adversely affect the Group and its business and operations. Further, it is possible that such reforms, if adopted, could lead to a period of change for Santander UK, particularly as regards changes that may be required to the operational strategy and capital management of Santander UK, and the supervisory approach taken by the FSA in relation to second charge mortgages, a portfolio of which the Group acquired as a result of its acquisition of Alliance & Leicester plc and any second charge mortgages which may be acquired under the RBS Acquisition.

As a consequence of such changes and any associated costs that may arise, it is possible that there could be a material adverse effect on the operating results, financial condition and prospects of the Group.

### **6.27 *Potential intervention by the UK Financial Services Authority (or an overseas regulator) may occur, particularly in response to customer complaints.***

Customers of financial services institutions, including customers of the Group, may seek redress if they consider that they have suffered loss as a result of the misselling of a particular product, or through incorrect application of the terms and conditions of a particular product. Given the inherent unpredictability of litigation and the evolution of judgements by the FOS, it is possible that an adverse outcome in some matters could have a material adverse effect on the operating results, financial condition and prospects of the Group arising from any penalties imposed or compensation awarded, together with the costs of defending such an action.

The Financial Services Act 2010 has provided a new power for the FSA which enables the FSA to require authorised firms, including members of the Group, to establish a consumer redress scheme if it considers that consumers have suffered loss or damage as a consequence of a widespread or regular regulatory failing, including misselling.

In recent years there have been several industry-wide issues in which the FSA has intervened directly. One such issue is the misselling of payment protection insurance ("**PPI**"), about which, in August 2010, the FSA published Policy Statement 10/12 entitled "The assessment and redress of Payment Protection Insurance complaints". This policy statement contains rules from the FSA which alter the basis on which the FSA regulated firms (including Santander UK and certain members of the Group) must consider and deal with complaints in relation to the sale of PPI and may potentially increase the amount of compensation payable to customers whose complaints are upheld. In October 2010 the British Bankers' Association (the 'BBA') applied for judicial review of these new rules and on 20 April 2011, the High Court rejected the BBA's legal challenge and upheld the FSA's policy statement about misselling of PPI. On 9 May 2011, the BBA announced its decision not to appeal against the High Court's PPI judgment. The High Court judgment on the misselling of PPI resulted in very significant provisions for customer redress being made by several UK financial services providers. Santander UK did not participate in the UK High Court case, and has taken a prudent approach in consistently settling claims over the last two years as they have arisen.

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In light of the High Court ruling in April 2011, the BBA's decision not to appeal it and the consequent increase in claims levels the Group performed a detailed review of the provision requirement. As a result, Santander UK revised its provision for PPI complaint liabilities to reflect the new information. Previously, the provision for PPI complaint liabilities accounted for claims that were likely to be received over the next twelve months. The provision for PPI complaint liabilities has now been increased to reflect the total population of PPI customers who could file a claim.

The ultimate financial impact on the Group of the claims arising from PPI complaints is uncertain and will depend on a number of factors, including the implementation of the FSA's Policy Statement, the rate at which new complaints arise, the content and quality of the complaints (including the availability of supporting evidence), the role of claims management companies and the average uphold rates and redress costs. The Group can make no assurance that expenses associated with PPI complaints will not exceed the provision it has taken relating to these claims. More generally, the Group can make no assurance that its estimates for potential liabilities are correct, and the reserves taken as a result may prove inadequate. If the Group were to incur additional expenses that exceed provisions for PPI liabilities or other provisions, these expenses could have a material adverse effect on the Group's operating results, financial condition and prospects.

The FSA may identify future industry-wide misselling or other issues that could affect the Group. This may lead from time to time to: (i) significant direct costs or liabilities (including in relation to misselling); and (ii) changes in the practices of such businesses which benefit customers at a cost to shareholders.

Decisions taken by the FOS (or any overseas equivalent that has jurisdiction) could, if applied to a wider class or grouping of customers, have a material adverse effect on the operating results, financial condition and prospects of the Group.

### **6.28 *Members of the Group are responsible for contributing to compensation schemes in the UK in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers***

In the UK, the Financial Services Compensation Scheme ("FSCS") was established under the Financial Services and Markets Act 2000 and is the UK's statutory fund of last resort for customers of authorised financial services firms. The FSCS can pay compensation to customers if an FSA-authorised firm is unable, or likely to be unable, to pay claims against it (for instance, an authorised bank is unable to pay claims by depositors). The FSCS is funded by levies on firms authorised by the FSA, including Santander UK and other members of the Group.

In the event that the FSCS raises funds from authorised firms, raises those funds more frequently or significantly increases the levies to be paid by such firms, the associated costs to the Group may have a material adverse effect on its operating results, financial condition and prospects. The recent measures taken to protect the depositors of deposit-taking institutions involving the FSCS have resulted in a significant increase in the levies made by the FSCS on the industry and such levies may continue to go up if similar measures are required to protect depositors of other institutions.

In addition, regulatory reform initiatives in the UK and internationally may result in further changes to the FSCS, which could result in additional costs and risks for the Group. For instance, the FSA announced in October 2011 that it was restarting its review of the funding of the FSCS with a view to formally consult in the first half of 2012. Changes as a result of this may affect the profitability of Santander UK (and other members of the Group required to contribute to the FSCS).

As a result of the structural reorganisation and reform of the UK financial regulatory authorities, it is proposed that the FSCS levies will be collected by the FCA under the new regime. It is possible that future policy of the FSCS and future levies on the firms authorised by the FSA may differ from those at present and that this could lead to a period of some uncertainty for members of the Group. In addition, it is possible that other jurisdictions where the Group operates could introduce similar compensation, contributory or reimbursement schemes. As a result of any such developments, the Group may incur additional costs and liabilities which may adversely affect its operating results, financial condition and prospects.

### **6.29 *The Banking Act may adversely affect the Group's business***

The Banking Act came into force on 12 February 2009. It provides HM Treasury, the Bank of England and the FSA with a variety of tools for dealing with UK institutions which are authorised deposit takers and are failing. If the position of a



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relevant entity in the Group were to decline so dramatically that it was considered to be failing, or likely to fail, to meet threshold authorisation conditions set out in FSMA (for example, if there were a mass withdrawal of deposits over solvency fears surrounding the Group, in a manner analogous to the situation that occurred at Northern Rock, adversely affecting the ability of the Group to continue to trade), it could become subject to the exercise of powers by HM Treasury, the Bank of England and the FSA under the special resolution regime set out in the Banking Act. The special resolution regime provides HM Treasury, the Bank of England and the FSA with a variety of powers for dealing with UK deposit taking institutions that are failing or likely to fail, including: (i) to take a bank or bank holding company into temporary public ownership; (ii) to transfer all or part of the business of a bank to a private sector purchaser; or (iii) to transfer all or part of the business of a bank to a "bridge bank". The special resolution regime also comprises a separate insolvency procedure and administration procedure each of which is of specific application to banks. These insolvency and administration measures may be invoked prior to the point at which an application for insolvency proceedings with respect to a relevant institution could be made.

If an instrument or order were made under the Banking Act in respect of Santander UK, such instrument or order (as the case may be) may (among other things): (i) result in a compulsory transfer of shares or other securities or property of Santander UK; (ii) impact on the rights of the holders of shares or other securities in Santander UK or result in the nullification or modification of the terms and conditions of such shares or securities; or (iii) result in the de-listing of Santander UK's shares and/or other securities. In addition, such an order may affect matters in respect of Santander UK and/or other aspects of Santander UK's shares or other securities which may negatively affect the ability of Santander UK to meet its obligations in respect of such shares or securities.

At present, no instruments or orders have been made under the Banking Act in respect of the Group and there has been no indication that any such order will be made, but there can be no assurance that holders of shares or other securities in Santander UK would not be adversely affected by any such order if made in the future.

### **6.30 *The Group's operations are highly dependent on its information technology systems***

The Group's business, financial performance and ability to meet its strategic objectives depend to a significant extent upon the functionality of its information technology systems (including Partenon, the global banking informational technology platform utilised by Banco Santander, S.A and to which the Group transitioned in 2008), and its ability to increase systems capacity. The proper functioning of the Group's financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between its branches and main data processing centres, are critical to the Group's business and its ability to compete. For example, the Group's ability to process credit card and other electronic transactions for its customers is an essential element of its business. A disruption (even short-term) to the functionality of the Group's information technology system (whether as a result of so-called unintentional "cyber incidents" or targeted "cyber attacks", security breaches, Santander UK's own migration of new business onto Partenon or otherwise) could impose a significant financial loss, result in a disruption to the Group's businesses, liability to clients, regulatory intervention or reputational damage. Likewise, delays or other problems in increasing the capacity of the information technology systems or increased costs associated with such systems could have a material adverse effect on the Group's operating results, financial condition and prospects. Although the Group has implemented certain preventative measures to protect its information and data systems, it can give no assurance that such measures will be effective in preventing a cyber attack or other IT disruption. Any such event could also require the Group to expend significant additional resources to modify its protective measures or to investigate and remediate vulnerabilities or other exposures, and may subject the Group to additional litigation and financial losses. Operation losses related to a successful cyber attack or other operational risks could have a material adverse effect on the Group's operating results, financial condition and prospects.

The Group relies upon certain outsourced services (including information technology support, maintenance and consultancy services in connection with Partenon) provided by certain other members of the Banco Santander, S.A. group. Any material change in the basis upon which these services are provided to the Group or the extent to which they are available to the Group could have a material adverse effect on the Group's operating results, financial condition and prospects.

In addition, if the Group fails to update and develop its existing information technology systems as effectively as its competitors, this may result in a loss of the competitive advantages that the Group believes its information technology

## ***Risk Factors***

systems provide, which could also have a material adverse effect on the Group's operating results, financial condition and prospects.

Nothing in this risk factor should be taken to imply that either the Issuer or the Guarantor will be unable to comply with their obligations as a company with Securities admitted to the Official List or as a supervised firm regulated by the UK Financial Services Authority.

### **6.31 *Third parties may use the Group as a conduit for illegal activities without the Group's knowledge, which could have a material adverse effect on the Group***

The Group is required to comply with applicable anti-money laundering laws and regulations and has adopted various policies and procedures, including internal control and "know-your-customer" procedures, aimed at preventing use of the Group for money laundering. For example, a major focus of US governmental policy relating to financial institutions in recent years has been combating money laundering and enforcing compliance with US economic sanctions. The outcome of any proceeding or complaint is inherently uncertain and could have a material adverse effect on the Group's operations or financial condition, especially to the extent that the scope of any such proceedings expands beyond its original focus.

In addition, while the Group reviews its relevant counterparties' internal policies and procedures with respect to such matters, the Group, to a large degree, relies upon its relevant counterparties to maintain and properly apply their own appropriate anti-money laundering procedures. Such measures, procedures and compliance may not be completely effective in preventing third parties from using the Group (and its relevant counterparties) as a conduit for money laundering (including illegal cash operations) without the Group's (and its relevant counterparties') knowledge. If the Group is associated with, or even accused of being associated with, or becomes a party to, money laundering, then its reputation could suffer and/or it could become subject to fines, sanctions and/or legal enforcement (including being added to any "black lists" that would prohibit certain parties from engaging in transactions with the Group), any one of which could have a material adverse effect on the Group's operating results, financial condition and prospects.

### **6.32 *Changes in the pension liabilities and obligations of the Group could have a materially adverse effect on the Group***

The Group provides retirement benefits for many of its former and current employees in the United Kingdom through a number of defined benefit pension schemes established under trust. The Group has only limited control over the rate at which it pays into such schemes. Under the UK statutory funding requirements, employers are usually required to contribute to the schemes at the rate they agree with the scheme trustees, although if they cannot agree, such rate can be set by the Pensions Regulator. The scheme trustees may, in the course of discussions about future valuations, seek higher employer contributions. The scheme trustees' power in relation to the payment of pension contributions depends on the terms of the trust deed and rules governing the pension schemes.

The UK Pensions Regulator has the power to issue a financial support direction to companies within a group in respect of the liability of employers participating in the UK defined benefit pension plans where that employer is a service company, or is otherwise "insufficiently resourced" (as defined for the purposes of the relevant legislation). As some of the employers within the Group are service companies if they become insufficiently resourced, other companies within the Group which are connected with or an associate of those employers are at risk of a financial support direction in respect of those employers' liabilities to the defined benefit pension schemes in circumstances where the Pensions Regulator properly considers it reasonable to issue one. Such a financial support direction could require the companies to guarantee or provide security for the pension liabilities of those employers, or could require additional amounts to be paid into the relevant pension schemes in respect of them.

The UK courts have decided that liabilities under financial support directions issued by the Pensions Regulator against companies after they have gone into administration were payable as an expense of the administration, and did not rank as provable debts. This means that such liabilities will have to be satisfied before any distributions to unsecured creditors could be made. It is understood that leave to appeal to the Supreme Court has been requested and therefore it is likely that there will be a further decision to come.

The Pensions Regulator can also issue contribution notices if it is of the opinion that an employer has taken actions, or failed to take actions, deliberately designed to avoid meeting its pension promises or which are materially detrimental to

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the scheme's ability to meet its pension promises. A contribution notice can be moved to any company which is connected with or an associate of such employer in circumstances where the Regulator considers it reasonable to issue. The risk of a contribution notice being imposed may inhibit the freedom of the Group to restructure itself or to undertake certain corporate activities.

Changes in the size of the deficit in the defined benefit schemes operated by the Group, due to reduction in the value of the pension fund assets (depending on the performance of financial markets) or an increase in the pension fund liabilities due to changes in mortality assumptions, the rate of increase of salaries, discount rate assumptions, inflation, the expected rate of return on plan assets, or other factors, could result in the Group having to make increased contributions to reduce or satisfy the deficits which would divert resources from use in other areas of the Group's business and reduce Santander UK's capital resources. While a number of the above factors can be controlled by the Group, there are some over which it has no or limited control. Although the trustees of the defined benefit pension schemes are obliged to consult the Group before changing the pension schemes' investment strategy, the trustees have the final say. Increases in the pension liabilities and obligations of the Group could have a material adverse effect on the Group's operating results, financial condition and prospects.

The on-going changes in the UK supervision and regulatory regime and particularly the implementation of the ICB's recommendations may require the Group to make changes to its structure and business which could have an impact on the Group's pension schemes or liabilities.

## *Description of the Issuer*

### **DESCRIPTION OF THE ISSUER**

#### **ABBEY NATIONAL TREASURY SERVICES PLC**

Abbey National Treasury Services plc is a public limited liability company incorporated (on 24 January 1989) and registered in England and Wales under the Companies Act 1985 (registered number 2338548). The Issuer is incorporated in England and has its registered office at 2 Triton Square, Regent's Place, London NW1 3AN. The Issuer is regulated by the Financial Services Authority and is an authorised person with permission to accept deposits under the FSMA.

The Issuer is a wholly-owned subsidiary of Santander UK. ANTS and its subsidiaries are part of Banco Santander, which is the ultimate parent company. The shares of ANTS are not traded on the London Stock Exchange.

ANTS contains parts of three divisions of the Santander UK Group:

- **Markets** - provides financial markets sales, trading and risk management services.
- **Corporate Banking** - offers banking services principally to small and medium sized ("SME") UK companies. Corporate Banking also includes large multi-national corporate activities.
- **Asset & Liability Management ("ALM")** - responsible for managing the Group's structural balance sheet.

In 2011, as the Group moved towards becoming a full-service commercial bank, management wanted a fuller view in Corporate Banking of the results of the range of services offered to corporate customers. Large multinationals were managed and reported as part of Corporate Banking in 2011, rather than Global Banking & Markets as in 2010. As a result of the change, Global Banking & Markets was renamed Markets. Prior years' segmental analyses have been adjusted to reflect the fact that reportable segments have changed. The Group's segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. The Group has three segments:

#### **(a) Markets**

Markets is a financial markets business focused on providing value added financial services to financial institutions, as well as to the rest of Santander UK's business. It is structured into two main product areas: Fixed income and Equity. Fixed Income covers sales and trading activity for fixed income products. Equity covers equity derivatives, property derivatives and commodities. Equity derivatives activities include the manufacture of structured products sold to both the Group and other financial institutions who sell or distribute them on to their customers.

#### **(b) Corporate Banking**

Corporate Banking provides a range of banking services principally to UK companies, with a focus on services for SMEs, providing a broad range of banking products including loans, bank accounts, deposits, treasury services, invoice discounts, cash transmission and asset finance. In addition, Corporate Banking includes specialist teams servicing Real Estate, Social Housing and UK infrastructure clients.

Within Corporate Banking, the large corporates business is responsible for larger multi-national corporate clients including related activities principally comprising foreign exchange, money market and credit activities. These related activities are structured into two main product areas: Foreign exchange and money markets, and Credit. Foreign exchange offers a range of foreign exchange products and money markets runs the securities lending/borrowing and repo businesses. Credit originates loan and bond transactions in primary markets as well as their intermediation in secondary markets.

#### **(c) Asset and Liability Management**

ALM is responsible for managing the Group's structural balance sheet shape and, in conjunction with the Santander UK's risk division, strategic and tactical liquidity risk management. This includes short-term and medium-term funding, covered bond and securitisation programmes. ALM's responsibilities also include management Santander UK's banking products and structural exposure to interest rates and managing the run down Treasury asset portfolio.

## *Description of the Issuer*

Santander UK, as guarantor, and ANTS, as issuer, have a shelf registration statement on file with the U.S. Securities and Exchange Commission in relation to issuances of SEC-registered debt securities. Additionally, as part of its prudent contingent funding arrangements, ALM ensures that Santander UK has access to the central bank facilities made available by the Bank of England, the Swiss National Bank, and the U.S. Federal Reserve.

As at the date hereof, the following are the members of the Board of Directors of the Issuer:

<b>Position</b>	<b>Name</b>
Directors	Luis de Sousa
	Brian Morrison
	David Green
	Stephen Pateman

The business address of each of the above is 2 Triton Square, Regent's Place, London NW1 3AN with telephone number +44 (0) 870 607 6000. None of the above has any activities outside the Group which are significant within the context of the Group.

### **Conflicts of Interest**

There are no actual or potential conflicts of interest between the duties to ANTS of the persons listed as members of the Board of Directors above and their private interests or other duties.

### **Corporate Governance**

The Issuer complies with the requirements of the United Kingdom's corporate governance regime to the extent applicable to it.

### **Credit Ratings of the Issuer**

#### **(a) Moody's**

**Range of Rating Agency Ratings** Long-term ratings: Aaa (highest) to C (lowest)

Moody's long-term obligation ratings are divided into several categories ranging from "Aaa", reflecting the highest quality with minimal credit risk, over categories "Aa", "A", "Baa", "Ba", "B", "Caa", "Ca" to category "C", reflecting the lowest rated class of bonds which are typically in default with little prospect for recovery of principal or interest. Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from "Aa" through "Caa". The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Short term ratings: P-1 (highest) to NP (lowest), with ratings P-1, P-2 and P-3 being "Prime" rating categories.

Moody's short-term ratings are divided into several categories ranging from "P-1", reflecting a superior ability of an Issuer to repay short-term debt obligations, over categories "P-2" and "P-3" to category "NP", reflecting that an Issuer does not fall within any of the Prime rating categories.

**Long-term Issuer Credit Rating** A1

A long-term issuer rating is an opinion of the ability of entities to honour long-term senior unsecured financial obligations and contracts and is expressed on Moody's long-term global

## *Description of the Issuer*

obligation scale. Long-term obligations rated "A" are considered by Moody's to be of upper medium grade and are subject to low credit risk. The modifier "1" indicates a ranking in the higher end of the "A" rating category.

### **Short-term Issuer Credit Rating**

P-1

Issuers rated Prime-1 have a superior ability to repay short-term debt obligations. Moody's short-term ratings are divided into several categories ranging from "P-1", reflecting a superior ability of an Issuer to repay short-term debt obligations, over categories "P-2" and "P-3" to category "NP", reflecting that an issuer does not fall within any of the Prime rating categories.

### **(b) Fitch**

#### **Range of Rating Agency Ratings**

Long-term ratings: AAA (highest) to D (lowest)

Fitch's long-term ratings are divided into several major categories ranging from "AAA", reflecting the highest credit quality, over categories "AA", "A", "BBB", "BB", "B", "CCC", "CC", "C" to category "DDD, DD, D", reflecting that an obligor has defaulted on some or all of its obligations. A plus ("+") or minus ("-") sign may be appended to a rating to denote the relative status within major rating categories. Such suffixes are not added to the "AAA" category or to categories below "CCC".

Short term ratings: F1 (highest) to D (lowest)

Fitch's short-term ratings are divided into several categories ranging from "F1", reflecting the highest credit quality, over categories "F2", "F3", "B", "C" to category "D" which denotes an actual or imminent payment default.

#### **Long-term Issuer Credit Rating**

A+

"A" ratings denote Fitch expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings. The modifier "+" indicates a ranking in the higher end of the "A" rating category

#### **Short-term Issuer Credit Rating**

F1

"F1" ratings indicate the strongest intrinsic capacity for timely payment of financial commitments.

**The information provided in relation to the credit rating of Abbey National Treasury Services plc should be read in conjunction with the risk factor headed "Rating Agency Credit Ratings".**

## *Description of the Guarantor and the Group*

### **DESCRIPTION OF THE GUARANTOR AND THE GROUP**

#### **SANTANDER UK PLC AND THE GROUP**

##### **Background**

Santander UK plc was formed as a building society in 1944 and is now a public limited liability company incorporated and registered in England and Wales under the Companies Act 1985. It was incorporated on 12 September 1988 with registered number 2294747.

The principal executive office and registered office of Santander UK is at 2 Triton Square, Regent's Place, London, NW1 3AN. The telephone number of Santander UK is +44 (0) 870 607 6000.

On 12 November 2004, Banco Santander completed the acquisition of the entire issued ordinary share capital of Santander UK, implemented by means of a scheme of arrangement under Section 425 of the Companies Act 1985 making Santander UK a wholly-owned subsidiary of Banco Santander, S.A. Banco Santander is one of the largest banks in the world by market capitalisation. Founded in 1857, Banco Santander has more than 90 million customers and over 14,000 branches.

Santander UK is the second largest provider of residential mortgages in the UK and the second largest savings brand, operating across the full range of personal financial services, as well as being active in corporate and commercial banking services (source: GfK NOP Financial Research Survey (FRS), six months ended 31 December 2011).

##### **Corporate Purpose and Strategy**

Santander UK's purpose is to maximise value for its shareholders, Banco Santander and its subsidiary company Santusa Holding S.L., by focusing on offering a diversified, customer-centred, full commercial banking service in the United Kingdom. With the continuing support of Banco Santander, Santander UK aims to be the best commercial bank in the United Kingdom.

##### **Business and Support Divisions**

Santander UK's management structure is headed by Ana Botín, Chief Executive Officer. The management structure consists of a number of business and support divisions.

The business divisions consist of:

##### **(a) Retail Banking**

Retail Banking offers a comprehensive range of banking products and related financial services (residential mortgages, savings and banking, and other personal financial services products) to customers throughout the UK. It serves customers through the Santander UK network of branches and ATMs, as well as through telephone, internet channels and intermediaries. It also includes the private banking business which offers private banking and other specialist banking services in the UK and international banking.

##### **(b) Corporate Banking**

Corporate Banking provides a range of banking services principally to UK companies, with a focus on services for SMEs, providing a broad range of banking products including loans, bank accounts, deposits, treasury services, invoice discounts, cash transmission and asset finance. Small businesses, with a turnover of less than £250,000, are serviced through the Business Banking division, while a network of 28 regionally-based Corporate Business Centres offers services to businesses with a turnover of £250,000 to £150m. In addition, Corporate Banking includes specialist teams servicing Real Estate, Social Housing and UK infrastructure clients.

Within Corporate Banking, the large corporates business is responsible for larger multinational corporate clients, including related activities, principally comprising foreign exchange, money market and credit activities. These related activities are structured into two main product areas: Foreign exchange and money markets, and Credit. Foreign exchange offers a range of foreign exchange products and money markets runs the securities lending/borrowing and repo businesses. Credit originates loan and bond transactions in primary markets as well as their intermediation in secondary markets. Legacy portfolios in run-off are also managed within Corporate Banking.

## *Description of the Guarantor and the Group*

### **(c) Markets**

Markets (formerly Global Banking & Markets) is a financial markets business focused on providing value added financial services to financial institutions, as well as to the rest of Santander UK's business. It is structured into two main product areas: Fixed income and Equity. Fixed Income covers sales and trading activity for fixed income products. Equity covers equity derivatives, property derivatives and commodities. Equity derivatives activities include the manufacture of structured products sold to both the Santander UK Group and other financial institutions who sell or distribute them on to their customers.

### **(d) Group Infrastructure**

Group Infrastructure consists of Asset and Liability Management ("ALM"), which is also responsible for the Group capital and funding the Treasury asset portfolio, and Investor Relations for the Group. ALM is responsible for managing the Group's structural balance sheet composition and strategic and tactical liquidity risk management. This includes short-term and medium-term funding, covered bond and securitisation programmes. ALM's responsibilities also include Santander UK's banking product and structural exposure to interest rates. ALM recommends and helps to implement Board, Strategic Risk & Financial Management Committee, Asset and Liability Management Committee and Risk Committee policies for all aspects of balance sheet management - formulating guidance for, and monitoring, the overall balance sheet shape, including maturity profile. It is also responsible for the return on the Group's capital, reserves, preference shares and subordinated debt. The Treasury asset portfolio assets were acquired as part of the transfer of Alliance & Leicester plc to the Group in 2008 and as part of an alignment of portfolios across the Santander Group in 2010. Furthermore, Group Infrastructure is responsible for managing the Investor Relations activities of the Group.

Santander UK plc, as guarantor, and its subsidiary Abbey National Treasury Services plc, as issuer, have a shelf registration statement on file with the US Securities and Exchange Commission in relation to issuances of SEC-registered debt securities. Additionally, as part of its prudent contingent funding arrangements, ALM ensures that Santander UK has access to the central bank facilities made available by the Bank of England, the Swiss National Bank, and the U.S. Federal Reserve.

The support divisions consist of:

- **Retail Products and Marketing** – responsible for integrating and gaining the maximum value from Santander UK's products, marketing and brand communications to serve Santander UK's customers better.
- **Human Resources** – responsible for delivering the human resources strategy and personnel support.
- **Manufacturing** – responsible for all information technology, cost control and operations activity, including service centres.
- **Risk** – responsible for ensuring that the Board of Directors and senior management team of Santander UK are provided with an appropriate risk policy and control framework, and to report any material risk issues to the Risk Committee and the Board of Directors.
- **Internal Audit** – responsible for supervising the compliance, effectiveness and efficiency of Santander UK's internal control systems to manage its risks.

In addition there are a number of corporate units – including (1) Financial Management Information, Financial Reporting and Tax, Cost Management & Control, (2) Legal & Secretariat, (3) Strategy and Corporate Development, (4) Regulatory Affairs and Pensions, (5) Service Quality, (6) Communications and (7) Santander Universities in the UK.

### **Developments – Bradford & Bingley plc and Alliance & Leicester plc**

In September 2008, following the announcement by HM Treasury to take Bradford & Bingley plc into public ownership, the retail deposits, branch network and related employees transferred, under the provisions of the Banking (Special Provisions) Act 2008, to Santander UK. All of Bradford & Bingley plc's customer loans and treasury assets, including all its mortgage assets, were taken into public ownership. The transfer to Santander UK consisted of the £20bn retail deposit base with 2.7 million customers, as well as Bradford & Bingley plc's direct channels including 197 retail branches, 141 agencies (distribution outlets in third party premises) and related employees. The acquisition price was £612m, including the transfer of £208m of capital relating to offshore entities. The



## *Description of the Guarantor and the Group*

transfer of Bradford & Bingley plc's customers and their retail deposits further strengthened the Group's retail customer deposit base and franchise.

In December 2008, following the acquisition by Banco Santander, S.A. of Alliance & Leicester plc ("A&L"), Santander UK injected £950m of capital into A&L through a subscription for new A&L ordinary shares and undated subordinated notes. Previously, in October 2008, Santander UK subscribed for US\$100m undated floating rate subordinated notes issued by A&L. As a result of the subscription for ordinary shares, Santander UK held 35.6% of the issued ordinary share capital of A&L plc at 31 December 2008.

On 9 January 2009, in order to optimise the capital, liquidity funding and overall financial efficiency of the Santander Group, Banco Santander transferred all of its A&L shares to Santander UK in exchange for newly issued ordinary shares of Santander UK. Accordingly, Santander UK became the immediate parent company of A&L. Santander UK accounted for the transfer of A&L with effect from 10 October 2008, the date on which A&L was acquired by Banco Santander.

On 28 May 2010, A&L transferred its business and certain associated liabilities to Santander UK pursuant to a court-approved business transfer scheme under Part VII of the Financial Services and Markets Act 2000.

These business combinations allow the Group to deliver increased critical mass in the UK through greater market share. In January 2010, Santander UK, which includes the Bradford & Bingley savings business, was rebranded as Santander. In December 2010, the rebranding of A&L branches was completed, as information technology changes ensured any Santander customer in the UK could transact in all its UK branches. The move delivered a significant advantage for the Group's 25 million customers as they can now use more than 1,400 branches (including agencies). The change also reflected Santander's policy to operate under a single brand.

### **Capital injection – Santander UK**

On 3 August 2010, Banco Santander, through a wholly-owned Spanish-based subsidiary Santusa Holding, S.L., provided £4,456 million of equity capital to Santander UK. The capital was used to support reorganisation of certain group companies in the UK and will be used to support organic and inorganic growth, including the transaction with Royal Bank of Scotland Group described below.

### **Acquisition – RBS and NatWest branches, Santander Cards Limited and Santander Cards (UK) Limited, Santander Consumer (UK) plc and Santander PB UK (Holdings) Limited**

On 4 August 2010, Santander UK announced its agreement to acquire (subject to certain conditions) bank branches and business banking centres associated assets and liabilities from the Royal Bank of Scotland Group for a premium of £350m to net assets at closing. The consideration will be paid in cash and is subject to certain closing adjustments. The transaction includes 308 Royal Bank of Scotland branches in England and Wales; 6 NatWest branches in Scotland; the retail and SME customer accounts attached to these branches; the Direct SME business; and certain mid-corporate businesses. EC/UK merger control clearance was received on 15 October 2010 and HMRC clearance was also received during the fourth quarter with the correct expectation that the transaction will not complete before the fourth quarter of 2012, subject to certain conditions. The separation and transfer process is underway with the current expectation that the transaction will not complete before the fourth quarter of 2012, subject to certain conditions.

In October and November 2010, the Group acquired for a total consideration of £1,451m:

- **Santander Cards Limited and Santander Cards (UK) Limited** (and its subsidiaries), which conduct Santander's provision of credit cards and related financial products, store cards and other unsecured consumer finance products in the UK, and Santander Cards Ireland Limited, which conducts Santander's provision of credit finance by way of store cards and credit cards in the Republic of Ireland;
- **Santander Consumer (UK) plc** (of which the Group already held 49.9%), which carries on Santander's provision of finance facilities and the contract purchase of motor vehicles and equipment in the UK and also provides wholesale funding which is a facility that offers preferential dealers funding in the UK; and
- **Santander PB UK (Holdings) Limited (and its subsidiaries)** (of which the Group already held 51% of its subsidiary, Santander Private Banking UK Limited), which carries on Santander's provision of private banking services in the UK.

## *Description of the Guarantor and the Group*

The principal purpose of the acquisitions was to bring these interests of Banco Santander in the UK under the corporate structure of the Group in furtherance of the Group's objective to become a full-service, diversified, customer centred commercial bank.

### **Directors of Santander UK**

The following table sets forth the directors of Santander UK plc.

<i>Position</i>	<i>Name</i>	<i>Other principal activities</i>
<i>Chairman</i>	<i>Lord Terence Burns</i>	<i>Chairman, Channel 4 Television Corporation; President of the Society of Business Economists; Non-Executive Director, Banco Santander, S.A.; Fellow, London Business School; Companion of the Institute of Management; and Non-Executive Member of the Office of Budget Responsibility.</i>
<i>Deputy Chairman and Non-Executive Director</i>	<i>Juan Rodriguez Inciarte</i>	<i>Chief Executive of Santander Consumer Finance, S.A.; Non-Executive Director, Banco Santander, S.A.; Director, RFS Holdings; Director, Banco Banif, S.A.; and Director, Vista Capital de Expansión S.A.</i>
<i>Chief Executive Officer</i>	<i>Ana Botín</i>	<i>Executive Director, Banco Santander, S.A.; Vice Chairperson of Empresa y Crecimiento Foundation; Member of the International Advisory Board of the NYSE; Member of the International Advisory Board of the Inter-American Development Bank; Member of the Board of Management of the European Association for Banking and Financial History e.V.; and Board of Georgetown University.</i>
<i>Executive Directors</i>	<i>Jose Maria Nus</i>	<i>Banesto Foundation; and Spanish Governmental Observatory for Multi-nationals.</i>
<i>Executive Director, Head of UK Banking</i>	<i>Stephen Pateman</i>	<i>Director, Abbey National Treasury Services plc</i>
<i>Non-Executive Directors</i>		
	<i>Rosemary Thorne</i>	<i>Non-Executive Director on the board of Smurfitt Kappa Group plc</i>
	<i>Roy Brown</i>	<i>Chairman, GKN plc; Governor, Tonbridge School; and Chairman, Tonbridge School Foundation</i>
	<i>José María Carballo</i>	<i>Chairman of La Unión Resinera Española; Chairman of Vista Desarrollo; Director of Vista Capital Expansión S.A. S.G.E.C.R.; and Director of Teleférico Pico del Teide, S.A.</i>
	<i>José Maria Fuster</i>	<i>Executive Vice President of Operations and Technology and Non- Executive Director of Banesto; Non Executive Director of Banco Español de Crédito, S.A.; and Chief Information Officer of Banco Santander, S.A.</i>

### *Description of the Guarantor and the Group*

The business address of each of the directors is 2 Triton Square, Regent's Place, London NW1 3AN with telephone number +44 (0) 870 607 6000.

#### **Conflicts of Interest**

There are no potential conflicts of interest between the duties to the Guarantor of the persons listed under "Directors of Santander UK plc" above and their private interests and or other duties.

## *Documents Incorporated by Reference*

### **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents, which have previously been published or are published simultaneously with this Prospectus and have been approved by the FSA or filed with it, shall be deemed to be incorporated in, and to form part of, this Prospectus and the Base Prospectus set out in this Prospectus and approved by the FSA for the purpose of the Prospectus Directive:

- (1) audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2011, which appear on pages 11 to 120 of the Issuer's Annual Report and Accounts for the year ended 31 December 2011;
- (2) the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2010, which appear on pages 11 to 113 of the Issuer's Annual Report and Accounts for the year ended 31 December 2010;
- (3) the:
  - (i) audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2011, which appear on pages 157 to 274 and pages 62 to 135 except the Operational Risk and Other Risks sections on pages 128 to 134;
  - (ii) audited information in the Balance Sheet Business Review on pages 44 to 48;
  - (iii) audited information titled "FSA Remuneration Disclosures" on pages 152 to 156;
  - (iv) the section entitled "Bank of England Special Liquidity Scheme" on page 58; and
  - (v) audited information in the Directors' Report on pages 143 to 145;

in each case, of the Guarantor's Annual Report and Accounts for the year ended 31 December 2011;

- (4) the:
  - (i) audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2010, which appear on pages 149 to 262 and pages 67 to 134 except as marked as "unaudited" on pages 92, 93 and the Operational Risk and Other Risks sections on pages 121 to 123;
  - (ii) the unaudited table titled "Trading profit before tax by segment" on page 25 within the "Business Review – Divisional Results"; and
  - (iii) the audited information in the Directors' Report on pages 141 to 143;

in each case, of the Guarantor's Annual Report and Accounts for the year ended 31 December 2010;

provided also that any statement contained in a document, all or the relevant portion of which is incorporated by reference herein, shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in this Prospectus modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Prospectus.

In addition to the above, the following terms and conditions shall be incorporated by reference in, and form part of, this Prospectus:

- (5) the Terms and Conditions set out on pages 59 to 168 of the Base Prospectus dated 28 March 2007 relating to the Issuer's Structured Note Programme;
- (6) the Conditions set out on pages 149 to 280 of the Base Prospectus dated 26 March 2008 relating to the Issuer's Structured Note Programme;

### ***Documents Incorporated by Reference***

- (7) the Conditions set out on pages 147 to 297 of the Base Prospectus dated 26 March 2009 relating to the Issuer's Structured Note Programme;
- (8) the Conditions set out on pages 155 to 315 of the Base Prospectus dated 14 April 2010 relating to the Issuer's Structured Note Programme; and
- (9) the Conditions set out on pages 109 to 292 of the Prospectus dated 12 April 2011 relating to the Issuer's Structured Note Programme.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in the Prospectus.

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a subsequent statement which is deemed to be incorporated by reference herein or contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise), (provided, however, that such statement shall only form part of the Base Prospectus to the extent that it is contained in a document, all of the relevant portion of which is incorporated by reference by way of a supplement proposed in accordance with Article 16 of the Prospectus Directive). Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Prospectus.

Copies of the documents incorporated by reference in this Prospectus, listed in (1) to (4) above, can be obtained without charge from the RNS website. Copies of the documents incorporated by reference in this Prospectus, listed in (5) to (8) above will be available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Issuer and the Guarantor and at the specified offices of the Paying Agents.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

The Issuer and the Guarantor 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 Securities, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Securities. The Issuer and the Guarantor have undertaken to the Dealers in the Programme Agreement (as defined in "*Subscription and Sale*" herein) that they will comply with section 87G of the FSMA.

## *General Description of the Programme*

### GENERAL DESCRIPTION OF THE PROGRAMME

*The following general description does not purport to be complete and is qualified in its entirety by the Summary and the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Securities, the applicable Final Terms. The Issuer, the Guarantor and any relevant Dealer may agree that Securities shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, if appropriate, a new Prospectus or supplement will be published.*

Words and expressions defined in "Form of the Securities", the "Terms and Conditions of the N&C Securities" and the "Terms and Conditions of the Warrants" shall have the same meanings in this General Description.

#### **Issuer and Guarantor**

Abbey National Treasury Services plc (the "**Issuer**") may from time to time under the Programme issue notes ("**Notes**"), redeemable certificates ("**Certificates**" and together with the Notes, the "**N&C Securities**"), and warrants ("**Warrants**" and together with the N&C Securities, the "**Securities**"). Securities issued by Abbey National Treasury Services plc under the Programme will be unconditionally and irrevocably guaranteed by Santander UK plc (the "**Guarantor**").

#### **Programme Authorisation**

This Prospectus supersedes the prospectus dated 12 April 2011 previously issued by the Issuer and Guarantor in respect of the €10,000,000,000 Structured Note Programme. The continuation of the Programme and the issue of Securities had been duly confirmed and authorised by a resolution of the Board of Directors of Abbey National Treasury Services plc dated 28 February 2012; a funding approval and authorisation in respect of Abbey National Treasury Services plc given by the Chief Executive Officer of Santander UK plc dated 12 March 2012; and a Programme approval and authorisation in respect of Abbey National Treasury Services plc given by an authorised person dated 12 March 2012. The giving of the guarantee of the Securities by Santander UK plc had been duly authorised by a resolution of the Board of Directors of Santander UK plc dated 28 February 2012; a funding approval and authorisation in respect of Santander UK plc given by its Chief Executive Officer dated 12 March 2012; and a Programme approval and authorisation in respect of Santander UK plc given by an authorised person dated 13 March 2012.

#### **Programme Size**

The maximum aggregate nominal amount of all N&C Securities from time to time outstanding under the Programme will not exceed €10,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

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

Securities may be:

- (a) listed on the Official List of the London Stock Exchange (the "**Official List**") and admitted to trading on the Regulated Market of the London Stock Exchange;
- (b) listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and/or on the Euro MTF market, which is the alternative market of the Luxembourg Stock Exchange. The Euro MTF market is not a regulated market for the purposes of Directive 2004/39/EC;
- (c) listed on the Borsa Italiana S.p.A. and admitted to trading on the "Electronic Securities Derivatives Market" (the "**SeDeX**") or to the "Electronic Bond Market" (the "**MOT**");
- (d) listed and admitted to trading on the regulated market of the Warsaw Stock Exchange (the "**WSE**");
- (e) listed on the Official List of the Irish Stock Exchange and admitted to trading on the regulated market of the Irish Stock Exchange;
- (f) listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange;

## *General Description of the Programme*

- (g) listed or admitted, as the case may be, on other or further stock exchange(s) or markets as indicated in the applicable Final Terms in relation to each Series; or
- (h) neither listed nor admitted to trading on any market.

The applicable Final Terms will state whether or not the relevant Securities are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

The listing of Securities on the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest) in the case of N&C Securities and by their amount in the case of Warrants. It is expected that each Tranche of Securities which is to be admitted to listing on the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of a Global Security or Securities initially representing the Securities of such Tranche. Application has been made to the UK Listing Authority for Securities issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Securities to be admitted to trading on the London Stock Exchange's regulated market. The listing of the Programme in respect of Securities is expected to be granted on or before 11 April 2012.

### **Passporting**

In accordance with Article 18 of the Prospectus Directive, the FSA has been requested to provide the following competent authorities with a certificate of approval attesting that the Base Prospectus of each of the Issuer and the Guarantor has been drawn up in accordance with the Prospectus Directive:

- (1) Finanzmarktaufsichtsbehörde (FMA) ("**Austria**");
- (2) Belgian Financial Services and Markets Authority (**Belgian FSMA**) ("**Belgium**");
- (3) Autorité des marchés financiers (AMF) ("**France**");
- (4) Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) ("**Germany**");
- (5) Central Bank of Ireland ("**Ireland**");
- (6) Commissione Nazionale per le Società e la Borsa (CONSOB) ("**Italy**");
- (7) Commission de Surveillance du Secteur Financier (CSSF) ("**Luxembourg**");
- (8) Autoriteit Financiële Markten (AFM) ("**The Netherlands**");
- (9) Polish Financial Supervisory Authority (Komisja Nadzoru Finansowego) ("**Poland**");
- (10) Comissão do Mercado de Valores Mobiliários (CMVM) ("**Portugal**"); and
- (11) Comisión Nacional del Mercado de Valores (CNMV) ("**Spain**").

### **Types of Securities**

Subject to compliance with all relevant laws, regulations and directives, the Securities that may be issued under the Programme may be Securities where the interest payment, the redemption amount or amount to be paid or delivered on settlement is linked to:

- (a) a share or a depositary receipt representing a share or a basket of shares or depositary receipts ("**Equity Linked Securities**");
- (b) an equity index or a basket of equity indices ("**Equity Index Linked Securities**");
- (c) a commodity, a basket of commodities, a commodity index or a basket of commodity indices ("**Commodity Linked Securities**");

## ***General Description of the Programme***

- (d) a foreign exchange rate or a basket of foreign exchange rates ("**Currency Linked Securities**");
- (e) the credit of a reference entity such as a company or a sovereign, or a basket of reference entities ("**Credit Linked Securities**");
- (f) an inflation index or a basket of inflation indices ("**Inflation Index Linked Securities**");
- (g) an fund, exchange traded fund or a basket of such funds ("**Fund Linked Securities**");
- (h) a property index or a basket of property indices ("**Property Index Linked Securities**"); or
- (i) any other underlying asset or reference or any combination of any of the above.

**Investors must review the relevant Final Terms to ascertain how the performance of the Relevant Asset(s) will affect the amount(s) payable and/or deliverable on the Securities.**

### **Settlement**

Settlement of the Securities may be by way of cash or by physical delivery of the relevant Asset Amount or Entitlement as specified by the applicable Final Terms and/or the Conditions. Securityholders may be required to pay certain expenses in relation to Securities subject to physical delivery, which may be reflected by way of a deduction of such expenses from the Asset Amount or Entitlement to be delivered.

**Prospective investors must review the applicable Final Terms to ascertain what the Relevant Assets are and to see how the Cash Settlement Amount, Final Redemption Amount or the Asset Amount or Entitlement, as the case may be, and any periodic interest payments are determined and when such amounts are payable and/or deliverable, as the case may be, before making any decision to purchase any Securities.**

### **Distribution**

Securities may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

No offers, sales, resales or deliveries of any Securities or distribution of any offering material relating to any Securities, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and which will not impose any obligation on the Issuer or the Guarantor.

As a result of the restrictions set out in the section of this Prospectus entitled "*Subscription and Sale*" on page 454, purchasers of Securities are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Securities.

### **Form of Securities**

The N&C Securities of each Series will initially be represented by a global security in bearer form.

Bearer N&C Securities will be issued outside the United States in reliance on Regulation S. Immobilised Bearer N&C Securities will be issued through Citibank, N.A., London Branch in its capacity as Book-Entry Depository pursuant to an N&C Securities Depository Agreement dated on or about the date of this Prospectus both (a) outside the United States in offshore transactions to non-U.S. Persons in reliance on the exemption from registration provided by Regulation S and (b) within the United States to or to, or for the account or benefit of, U.S. Persons that are QIBs in reliance on Rule 144A, as described in "*Form of the Securities*".

The Warrants will be represented by a Permanent Global Warrant. Definitive Warrants will not be issued.

### **CREST Depository Interests**

If CREST Depository Instruments are specified in the Final Terms, investors may hold indirect interests in the N&C Securities (such N&C Securities being "**Underlying Securities**") through CREST (being the system for the paperless settlement of trades and the holding of uncertificated securities operated by Euroclear UK & Ireland Limited or any successor thereto in accordance with the



## ***General Description of the Programme***

United Kingdom Uncertificated Securities Regulations 2001) by holding dematerialised depository interests ("**CREST Depository Interests**").

CREST Depository Interests are independent securities constituted under English law issued, held, settled and transferred through Euroclear UK and Ireland Limited (formerly known as CRESTCo Limited) ("**CREST**"). CREST Depository Interests are issued by CREST Depository Limited or any successor thereto (the "**CREST Depository**") pursuant to the global deed poll dated 25 June 2001 (in the form contained in Chapter 3 of the CREST International Manual (which forms part of the "**CREST Manual**")) (as subsequently modified, supplemented and/or restated) (the "**CREST Deed Poll**").

CREST Depository Interests represent indirect interests in the Underlying Securities to which they relate and holders of CREST Depository Interests will not be the legal owners of the Underlying Securities. Holders of CREST Depository Instruments will not be entitled to deal directly in the N&C Securities and, accordingly, all dealings in the N&C Securities will be effected through CREST in relation to the holding of CREST Depository Interests.

The Underlying Securities (as distinct from the CREST Depository Interests representing indirect interests in such Underlying Securities) will be held in an account with a custodian. The custodian will hold the Underlying Securities through the relevant Clearance System. Rights in the Underlying Securities will be held through custodial and depository links through the relevant Clearance System. The legal title to the Underlying Securities or to interests in the Underlying Securities will depend on the rules of the relevant Clearance System in or through which the Underlying Securities are held.

CREST International Nominees Limited or another entity appointed to act as nominee in accordance with the CREST Deed Poll (the "**CREST Nominee**") will hold the legal title to the Underlying Securities and the direct enforcement right in respect of the Underlying Securities. This could result in a holder of CREST Depository Interests receiving less than, or none of, the full amount payable in respect of the Underlying Securities in the event of any insolvency or liquidation of any relevant intermediary, in particular where the Underlying Securities held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.

The rights of the holders of CREST Depository Interests in respect of their indirect interests in the relevant N&C Securities will be governed by the arrangements between CREST and Euroclear Bank S.A., Euroclear Bank N.V. and/or Clearstream Banking, SA, Luxembourg or any other clearing system specified in the Final Terms in respect of the relevant N&C Securities in which the Underlying Securities are held, including the CREST Deed Poll executed by the CREST Depository. These rights are different from those of holders of N&C Securities which are not represented by CREST Depository Interests.

CREST Depository Interests are further described in the section entitled "*Book-Entry Clearance Systems and Settlement*".

### **Governing Law**

The Securities and any non-contractual obligations arising out of or in connection with the Securities will be governed by, and shall be construed in accordance with, English law.

## **General Conditions of the N&C Securities**

### **GENERAL TERMS AND CONDITIONS OF THE N&C SECURITIES**

*The following general terms and conditions (the "**N&C Security Conditions**"), together with the Technical Annex(es) (if applicable), are the terms and conditions (collectively, the "**Conditions**") of the N&C Securities which will be incorporated by reference into each Global N&C Security (as defined below) and each definitive N&C Security, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the Dealer at the time of issue but, if not so permitted and agreed, such definitive N&C Security will have endorsed thereon or attached thereto such Conditions. The applicable Final Terms in relation to any Tranche of N&C Securities will complete and supplement the Conditions in relation to each Tranche of N&C Securities and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, together with the Technical Annex(es) (if applicable), replace or modify the following Conditions for the purpose of such N&C Securities. The applicable Final Terms, (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global N&C Securities and definitive N&C Securities. Reference should be made to "Form of the Securities" for a description of the content of the applicable Final Terms which will specify which of such terms are to apply in relation to the relevant N&C Securities. References in these Conditions to "**Final Terms**" shall mean a tranche of N&C Securities issued pursuant to this Prospectus.*

This N&C Security is one of a Series of N&C Securities (such N&C Securities being referred to hereinafter as "**N&C Securities**") issued by Abbey National Treasury Services plc (the "**Issuer**", which expression shall include any substitute pursuant to N&C Security Condition 15 (Substitution) below) pursuant to an Agency Agreement (as defined below). N&C Securities will be either notes ("**Notes**") or redeemable certificates ("**Certificates**"), as specified in the applicable Final Terms, and references in these Terms and Conditions to "**N&C Security**", "**N&C Securities**", "**Note**", "**Notes**", "**Certificate**" or "**Certificates**" will be construed accordingly. This N&C Security is one of a Series (as defined below) of securities issued by the Issuer.

References herein to the "**N&C Securities**" shall be references to the N&C Security of this Series and shall mean:

1. in relation to any N&C Security(ies) represented by a global N&C Security in bearer form (a "**Global N&C Security**" (which includes any Bearer Global N&C Security and any Immobilised Bearer Global N&C Security (as defined below)):
  - (a) in the case of N&C Securities issued by nominal amount, units of each Specified Denomination in the Specified Currency of the applicable N&C Securities, each as specified in the applicable Final Terms; and
  - (b) in the case of N&C Securities issued by unit, each unit of applicable N&C Securities;
2. any Global N&C Security;
3. any certificated depositary interests (in the case of Immobilised Bearer Global N&C Securities (as defined below) to be settled through Euroclear and/or Clearstream, Luxembourg) and certificateless depositary interests (in the case of Immobilised Bearer Global N&C Securities to be settled through DTC and such certificateless depositary interests, together with the certificated depositary interests, "**CDIs**" (as further defined in N&C Security Condition 1.6 below));
4. any Book Entry Interest (as defined in N&C Security Condition 1.6);
5. any definitive N&C Securities in bearer form ("**Definitive Bearer N&C Securities**") issued in exchange for a Bearer Global N&C Security; and
6. any definitive N&C Securities in registered (or inscribed) form ("**Definitive Registered N&C Securities**").

The N&C Securities, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an amended and restated agency agreement dated on or about 5 April 2012 (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") made between the Issuer, Santander UK plc (the "**Guarantor**") as guarantor, Citibank, N.A., London as issuing and principal paying agent and transfer agent (the "**Principal Paying Agent**", which expression shall include any additional or successor agent acting in such capacities) and exchange agent (the "**Exchange Agent**" which expression shall include any additional or successor exchange agents), Citigroup Global Markets Deutschland AG as registrar (the "**Registrar**", which expression shall include any additional or successor registrar) and as transfer agent (the "**Transfer Agent**", which expression shall include the Principal Paying Agent in its capacity as a transfer agent and any additional or successor transfer agents) and the

## *General Conditions of the N&C Securities*

other paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**"). The Principal Paying Agent, the Registrar, the Paying Agents, the Transfer Agent, the Exchange Agent and the Calculation Agent are together referred to as the "**Agents**".

References to "**Calculation Agent**" are to the entity specified as such in the applicable Final Terms or any successor in such capacity.

The Issuer's obligations in respect of this N&C Security have been guaranteed by the Guarantor pursuant to a guarantee (the "**Guarantee**") dated 5 April 2012 and executed by the Guarantor. The original Guarantee is held by the Principal Paying Agent at its specified office.

Interest bearing Definitive Bearer N&C Securities (unless otherwise indicated in the applicable Final Terms) have interest coupons ("**Coupons**") and, if indicated in the applicable Final Terms, talons for further Coupons ("**Talons**") attached on issue. Any reference in these Conditions to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer N&C Securities repayable in instalments have receipts ("**Receipts**") for the payment of the instalments of principal (other than the final instalment) attached on issue. Definitive Registered N&C Securities and Global N&C Securities do not have Receipts, Coupons or Talons attached on issue.

The final terms for this N&C Security (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this N&C Security which supplement these General Terms and Conditions of the N&C Securities (the "**Conditions**", which term shall include one or more Technical Annex(es) in the form annexed hereto (each a "**Technical Annex**") if specified as applicable in such Final Terms) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify the Conditions for the purposes of this N&C Security. References to the "**applicable Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this N&C Security and provisions relating to types of Variable Interest Rate N&C Securities and Variable Redemption N&C Securities for which no Technical Annex exists shall be set out, if required, in the applicable Final Terms.

Any reference to "**N&C Securityholders**" or "**holders**" in relation to any N&C Securities shall mean the holders of the relevant N&C Security, as applicable, and shall, in relation to any N&C Securities represented by a Global N&C Security, be construed as provided below. Any reference herein to "**Receiptholders**" shall mean the holders of the Receipts and any reference herein to "**Couponholders**" shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, "**Tranche**" means N&C Securities which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of N&C Securities together with any further Tranche or Tranches of N&C Securities which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

The N&C Securityholders, the Receiptholders and the Couponholders are entitled to the benefit of the deed of covenant (the "**Deed of Covenant**") dated 5 April 2012 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear, Clearstream, Luxembourg and DTC (each as defined herein).

Copies of the Agency Agreement (which contains the form of the Guarantee and the Deed of Covenant) are available for inspection during normal business hours at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing during normal business hours at the specified office of each of the Paying Agents and copies may be obtained from those offices save that, if the N&C Securities are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Directive 2003/71/EC (the "**Prospectus Directive**"), the applicable Final Terms will only be obtainable by a holder holding one or more N&C Securities and such N&C Securityholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such N&C Securities and identity. The N&C Securityholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Guarantee, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

## *General Conditions of the N&C Securities*

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Final Terms, the applicable Final Terms shall prevail. In the case of any inconsistency between any Technical Annex(es) specified as applicable in the applicable Final Terms and other parts of these Conditions, the provisions of the applicable Technical Annex(es) shall prevail. In the case of any inconsistency between the applicable Final Terms and the Conditions, the applicable Final Terms shall prevail.

### **1. FORM, DENOMINATION AND TITLE**

#### **1.1 FORM**

Other than in the case of Book-Entry Interests, CDIs and Definitive Registered N&C Securities, the N&C Securities will be issued in bearer form in the Specified Currency and the Specified Denomination(s) or (if so indicated in the applicable Final Terms) in security units, and, in the case of definitive N&C Securities, serially numbered. N&C Securities of one Specified Denomination may not be exchanged for N&C Securities of another Specified Denomination. Unless otherwise specified in the applicable Final Terms, the N&C Securities will be issued in classic global note ("**CGN**") form.

Each Tranche of N&C Securities in bearer form will be initially issued in the form of a temporary global security (a "**Temporary Bearer Global N&C Security**") or, if so specified in the applicable Final Terms, a permanent global security (a "**Permanent Bearer Global N&C Security**" and, together with a Temporary Bearer Global N&C Security, a "**Bearer Global N&C Security**") which, in either case, will:

- (a) if the Global N&C Securities are intended to be issued in new global note ("**NGN**") form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"); or
- (b) if the Global N&C Securities are intended to be issued in CGN form, be delivered on or prior to the original issue date of the Tranche to a common depository (the "**Common Depository**") for, Euroclear and Clearstream, Luxembourg.

The N&C Securities issued as bearer securities in Immobilised Form ("**Immobilised Bearer N&C Securities**") of each Tranche offered and sold in reliance on Regulation S, which will be sold in offshore transactions to non-U.S. persons outside the United States, will initially be represented by a global security in bearer form (a "**Regulation S Global N&C Security**").

In the event that the applicable Final Terms specifies that a Tranche of N&C Securities is eligible for sale in the United States or to, or for the benefit of, U.S. persons, Immobilised Bearer N&C Securities of such Tranche will initially be represented by a global security in bearer form (a "**Rule 144A Global N&C Security**").

Interests in Immobilised Bearer N&C Securities of certain issues that may not at any time be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, a U.S. person will initially be represented by a global security in bearer form (a "**Permanently Restricted Global N&C Security**" and, together with the Regulation S Global N&C Securities and the Rule 144A Global N&C Securities, the "**Immobilised Bearer Global N&C Securities**").

The Immobilised Bearer Global N&C Securities will initially be issued in bearer form, without interest coupons, and title thereto will pass by delivery. If any Securities are issued as Immobilised Bearer Global N&C Securities, then the entire Series of which they form part will be issued as Immobilised Bearer Global N&C Securities. Pursuant to a N&C securities depository agreement (such agreement as amended and/or supplemented and/or restated from time to time, the "**N&C Securities Depository Agreement**") dated 5 April 2012 between the Issuer, Citibank N.A., London Branch (the "**Book-Entry Depository**"), Citibank N.A., London Branch (the "**Custodian**") and Citigroup Global Markets Deutschland AG (the "**Registrar**"), the Immobilised Bearer Global N&C Securities of each Series will on issue be deposited with the Book-Entry Depository. Pursuant to the terms of the N&C Securities Depository Agreement, the Book-Entry Depository will hold any Immobilised Bearer Global N&C Security for the holders of the CDIs and owners of the Book-Entry Interests as bare

## ***General Conditions of the N&C Securities***

trustee and the owners of the Book-Entry Interests will accordingly be tenants in common in respect of the CDIs to the extent of the Book-Entry Interests in respect of which they are owners. The Book-Entry Depository shall have only those rights, discretions, duties, obligations and responsibilities expressly specified in the N&C Securities Depository Agreement and the Conditions and, other than holding any Immobilised Bearer Global N&C Security as bare trustee, as aforesaid, does not assume any relationship of trust for or with the owners of the Book-Entry Interests or any other person. In particular, the Book-Entry Depository may not extinguish, cancel or otherwise terminate this arrangement other than pursuant to the terms of the N&C Securities Depository Agreement and the Conditions. Holders of Book-Entry Interests are deemed to have notice of and shall be bound by the terms of the N&C Securities Depository Agreement.

### **1.2 Interest and Redemption**

An N&C Security may be designated in the applicable Final Terms as either (i) a Fixed Rate N&C Security, (ii) a Floating Rate N&C Security, (iii) a Non-Interest Bearing N&C Security, (iv) a Zero Coupon N&C Security, (v) a Dual Currency Interest N&C Security, or (vi) any one of an Equity Index Linked Interest N&C Security, an Equity Linked Interest N&C Security, a Commodity Linked Interest N&C Security, an Inflation Index Linked Interest N&C Security, a Property Index Linked Interest N&C Security, a Fund Linked Interest N&C Security, or a Currency Linked Interest N&C Security (such N&C Securities specified in this sub-paragraph (vi), collectively, "**Variable Interest Rate N&C Securities**") or any other type of interest bearing N&C Securities or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

An N&C Security may be designated in the applicable Final Terms as (i) an Instalment N&C Security, (ii) a Dual Currency Redemption N&C Security, (iii) a Partly Paid N&C Security, or (iv) any one of an Equity Index Linked Redemption N&C Security, an Equity Linked Redemption N&C Security, a Commodity Linked Redemption N&C Security, an Inflation Index Linked Redemption N&C Security, a Property Index Linked Redemption N&C Security, a Fund Linked Redemption N&C Security, a Currency Linked Redemption N&C Security, or a Credit Linked Redemption N&C Security, (such N&C Securities specified in this sub-paragraph (iv), collectively, "**Variable Redemption N&C Securities**") or any other type of redeemable N&C Securities or a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the applicable Final Terms.

### **1.3 Coupons attached**

Definitive Bearer N&C Securities are issued with Coupons and, if applicable, Receipts attached, unless they are Zero Coupon N&C Securities or Non-Interest Bearing N&C Securities in which case references to Coupons and Couponholders in these Conditions are not applicable. The applicable Final Terms will specify whether settlement shall be by way of cash payment ("**Cash Settled N&C Securities**") or by physical delivery ("**Physical Delivery N&C Securities**"). Any reference in these Conditions to Physical Delivery N&C Securities shall mean N&C Securities in respect of which an asset amount (being the number of underlying equity, bond, security or such other asset as may be specified in the applicable Final Terms (the "**Relevant Asset(s)**") plus/minus any amount due to/from the N&C Securityholder in respect of each N&C Security) is deliverable and/or payable by reference to one or more Relevant Assets as the Issuer and the relevant Dealer(s) may agree and as set out in the applicable Final Terms.

N&C Security may, if specified in the applicable Final Terms, allow N&C Securityholders upon redemption of such N&C Securities to elect for settlement by way of cash payment or by way of physical delivery or by such other method of settlement as is specified in the applicable Final Terms. Those N&C Securities where the N&C Securityholder has elected for cash payment will be Cash Settled N&C Securities and those N&C Securities where the N&C Securityholder has elected for physical delivery will be Physical Delivery N&C Securities. The rights of an N&C Securityholder as described in this paragraph may be subject to the Issuer's right to vary settlement upon redemption of N&C Securities as indicated in the applicable Final Terms.

### **1.4 Title to Definitive Bearer and Definitive Registered Securities**

Subject as set out below, title to the Definitive Bearer N&C Securities, Receipts and Coupons will pass by delivery and title to the Definitive Registered N&C Securities will pass upon registration of transfers in the books of the Register, which is kept by the Registrar, in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor, and the Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Definitive Bearer N&C

## *General Conditions of the N&C Securities*

Security, Receipt or Coupon and the registered holder of any Definitive Registered N&C Security as the absolute owner thereof (whether or not 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 N&C Security, without prejudice to the provisions set out in the next succeeding paragraph.

### **1.5 Title to Securities represented by a Bearer Global N&C Security**

For so long as any of the N&C Securities is represented by a Bearer Global N&C Security held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount or number of units of such N&C Securities (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount or number of units of such N&C Securities 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 Guarantor and the Paying Agents as the holder of such nominal amount or number of units of such N&C Securities for all purposes other than with respect to the payment of principal or interest on such nominal amount or number of units of such N&C Securities, for which purpose the bearer of the relevant Bearer Global N&C Security shall be treated by the Issuer, the Guarantor and the Paying Agents as the holder of such nominal amount or number of units of such N&C Securities in accordance with and subject to the terms of the relevant Global N&C Security and the expressions "**N&C Securityholder**" and "**holder of N&C Securities**" and related expressions shall be construed accordingly.

References 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 specified in the applicable Final Terms.

N&C Securities which are represented by a Bearer Global N&C Security will be transferable only in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

References to DTC (as defined below), Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any successor operator and/or successor clearing system and/or any additional or alternative clearing system specified in the applicable Final Terms or otherwise approved by the Issuer, the Guarantor, the Registrar and the Paying Agents (each a "**Clearance System**").

### **1.6 Title to Securities represented by an Immobilised Bearer Global N&C Security**

In respect of Immobilised Bearer Global N&C Securities to be settled through Euroclear and/or Clearstream, Luxembourg ("**European Immobilised Bearer N&C Securities**" or "**Permanently Restricted Immobilised Bearer N&C Securities**", as the case may be) which are deposited with the Book-Entry Depository, the Book-Entry Depository will issue registered certificated depository interests ("**European CDIs**" or "**Permanently Restricted CDIs**", as the case may be) to a common depository for Euroclear and Clearstream, Luxembourg, or its nominee, and will record the European CDIs or the Permanently Restricted CDIs, as the case may be, in the books and records of the Registrar in the name of the nominee of the common depository. Ownership of interests in the European Immobilised Bearer Global N&C Securities or the Permanently Restricted Immobilised Bearer N&C Securities deposited with the Book-Entry Depository (the "**European Book-Entry Interests**" or the "**Permanently Restricted Book-Entry Interests**", respectively) will be limited to persons with an account with Euroclear and/or Clearstream, Luxembourg or persons who may hold interests through such participants. European Book-Entry Interests will be shown on, and transfers thereof will be affected only through records maintained in book-entry form by Euroclear and/or Clearstream, Luxembourg and their participants.

In respect of Immobilised Bearer Global N&C Securities to be settled through DTC (as defined below) ("**U.S. Immobilised Bearer Global N&C Securities**") which are deposited with the Book-Entry Depository, the Book-Entry Depository will issue registered certificateless depository interests ("**U.S. CDIs**" and, together with European CDIs and Permanently Restricted CDIs, "**CDIs**") to the Depository Trust Company ("**DTC**") or its nominee Cede & Co. and will record the U.S. CDIs in the books and records of the Registrar in the name of Cede & Co. as nominee of DTC. For so long as DTC or its nominee is the registered owner or holder of interests in the U.S. Immobilised Bearer Global N&C Securities deposited with the Book-Entry Depository (the "**U.S. Book-Entry Interests**" and, together with the European Book-Entry Interests and the Permanently Restricted Book-Entry Interests, the "**Book-Entry Interests**"), DTC or such nominee, as the case may be, will be considered the sole owner or holder of the U.S. Book-Entry Interests for all purposes under the

## *General Conditions of the N&C Securities*

Agency Agreement except to the extent that, in accordance with DTC's published rules and procedures, any ownership rights may be exercised by its participants or beneficial owners through participants.

## **2. TRANSFER**

### **2.1 Transfers of interests in Immobilised Bearer Global N&C Securities**

Transfers of Book-Entry Interests will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in turn by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A Book-Entry Interest will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for registered N&C Securities in definitive form or for a Book-Entry Interest in another N&C Security only in the authorised denominations (in the case of N&C Securities) or number of security units (in the case of Certificates) set out in the applicable Final Terms and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

Pursuant to the N&C Securities Depository Agreement, the Immobilised Bearer Global N&C Securities may be transferred only to a successor to the relevant Book-Entry Depository.

Unless and until Book-Entry Interests are exchanged for Definitive Registered N&C Securities, the CDIs held by DTC or its nominee or the common depository or its nominee for Euroclear and Clearstream, Luxembourg may not be transferred except as a whole to a nominee or a successor approved by the Issuer.

Book-Entry Interests will be subject to certain restrictions on transfer and certification requirements and may bear a legend regarding such restrictions.

All transfers of Book-Entry Interests between participants in DTC, participants in Euroclear or participants in Clearstream, Luxembourg will be effected by DTC, Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by DTC, Euroclear or Clearstream, Luxembourg and their respective participants.

Subject to the foregoing, a Book-Entry Interest (other than a Permanently Restricted Book-Entry Interest) in one of the Immobilised Bearer Global N&C Securities (other than a Permanently Restricted Global N&C Security) may be transferred to a person who takes delivery thereof in the form of a Book-Entry Interest (other than a Permanently Restricted Book-Entry Interest) in another of the Immobilised Bearer Global N&C Securities (other than a Permanently Restricted Global N&C Security) by means of an instruction originated through DTC, Euroclear or Clearstream, Luxembourg, as applicable. Any Book-Entry Interest that is so transferred will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Immobilised Bearer Global N&C Security and become a Book-Entry Interest in the other Immobilised Bearer Global N&C Security and will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Immobilised Bearer Global N&C Security for as long as it remains such a Book-Entry Interest. In connection with such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount at maturity or number of units of the first-mentioned Immobilised Bearer Global N&C Security and a corresponding increase in the principal amount at maturity or number of units of the other Immobilised Bearer Global N&C Security, as applicable. In addition, where a transfer of a Book-Entry Interest is made which requires the conversion of a U.S. Book-Entry Interest to a European Book-Entry Interest (or vice versa), appropriate adjustments will be made to reflect such conversion.

Book-Entry Interests in an Immobilised Bearer Global N&C Security may in certain circumstances be exchanged for Definitive Registered N&C Securities upon receipt by the Registrar of instructions from a Paying Agent. It is expected that such instructions of the Paying Agent will be based upon directions received by DTC, Euroclear or Clearstream, Luxembourg, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered N&C Securities issued in exchange for a Book-Entry Interest will, except as otherwise determined by the Issuer in compliance with applicable law, be subject to certain restrictions on transfer and certification requirements and may bear a legend regarding such restrictions.

## *General Conditions of the N&C Securities*

### **2.2 Transfers of Definitive Registered N&C Securities**

Subject as provided in N&C Security Conditions 2.4 (Costs of registration), 2.5 (Transfers of interests in European Book-Entry Interests) and 2.6 (Transfers of interests in Legended N&C Securities) below, upon the terms and subject to the terms and conditions set forth in the Agency Agreement, a Definitive Registered N&C Security may be transferred in whole or in part in the authorised denominations set out in the applicable Final Terms. In order to effect any such transfer:

- (A) the holder or holders must:
  - (i) surrender the Definitive Registered N&C Security for registration of the transfer of the Definitive Registered N&C Security (or the relevant part of the Definitive Registered N&C Security) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing; and
  - (ii) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent; and
- (B) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request.

Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 8 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three (3) business days (being for the purposes of these Conditions a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request, a new Definitive Registered N&C Security for the same aggregate nominal amount or number of units as the Definitive Registered N&C Security (or the relevant part of the Definitive Registered N&C Security) transferred. In the case of a transfer of part only of a Definitive Registered N&C Security, a new Definitive Registered N&C Security in respect of the balance of the Definitive Registered N&C Security not transferred will be so authenticated and delivered or (at the risk of the transferor) sent by uninsured mail to such address as the transferor may request.

### **2.3 Registration of transfer upon partial redemption**

In the event of a partial redemption of N&C Securities under N&C Security Condition 7 (Redemption and Purchase), the Issuer shall not be required to register the transfer of any Definitive Registered N&C Security, or part of a Definitive Registered N&C Security, called for partial redemption.

### **2.4 Costs of registration**

N&C Securityholders 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 normal 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.

### **2.5 Transfers of interests in European Book-Entry Interests and in Permanently Restricted Book-Entry Interests**

Prior to expiry of the period ending 40 days after the completion of the distribution of each Tranche of N&C Securities relating to which a European Book-Entry Interest has been issued, as certified by the relevant Dealer (the "**Distribution Compliance Period**"), transfers by the holder of a European Book-Entry Interest or of a beneficial interest in a European Book-Entry Interest to a transferee in the United States or who is a U.S. person (as defined in the Securities Act) will only be made:



### *General Conditions of the N&C Securities*

- (A) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate with the consent of the Issuer (a "**Transfer Certificate**"), copies of which are available from the specified office of any Transfer Agent, from the transferor of the European Book-Entry Interest or beneficial interest therein to the effect that such transfer is being made to a person who the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A of the Securities Act; or
- (B) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with (1) any applicable securities laws of any State of the United States or any other jurisdiction and (2) any applicable restriction on transfer imposed by the CEA or any regulations thereunder as indicated and set out in the applicable Final Terms.

Transfers of a Permanently Restricted Book-Entry Interests or of a beneficial interest in a Permanently Restricted Book-Entry Interest may not at any time be made to a transferee in the United States or to, or for the account or benefit of, a U.S. person and any offer, sale, resale, trade, pledge, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. Person will not be recognised.

#### **2.6 Transfers of interests in Legended N&C Securities**

Transfers of Legended N&C Securities or beneficial interests therein may be made:

- (A) prior to the expiry of the applicable Distribution Compliance Period only upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made either (x) to a transferee that is a non-U.S. person taking delivery of such interest through a European Book-Entry Interest in an offshore transaction outside the United States pursuant to Regulation S and, in the case of a European CDI registered in the name of a nominee for DTC, the interests in the European Book-Entry Interest being transferred will be held immediately thereafter through Euroclear and/or Clearstream, Luxembourg or (y) to a transferee who the transferor reasonably believes to be a QIB taking delivery of such interest through a Legended N&C Security in a transaction meeting the requirements of Rule 144A; or
- (B) after the expiry of the applicable Distribution Compliance Period, either (x) to a transferee that is a non-U.S. person taking delivery of such interest through a European Book-Entry Interest in an offshore transaction outside the United States pursuant to Regulation S or (y) to a transferee who the transferor reasonably believes to be a QIB taking delivery of such interest through a Legended N&C Security in a transaction meeting the requirements of Rule 144A but, in either case, without certification; or
- (C) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with (1) any applicable securities laws of any State of the United States or any other jurisdiction and (2) any applicable restriction on transfer imposed by the CEA as indicated and set out in the applicable Final Terms.

Upon the transfer, exchange or replacement of Legended N&C Securities, or upon specific request for removal of the Legended N&C Securities, the Registrar shall deliver only Legended N&C Securities or refuse to remove the Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

#### **2.7 Definitions**

In this Condition 2, the following expressions shall have the following meanings:

## ***General Conditions of the N&C Securities***

"CEA" means the U.S. Commodity Exchange Act, as amended;

"**Legended N&C Security**" means N&C Securities (whether in definitive registered form or represented by a U.S. Book-Entry Interest) sold in private transactions to QIBs in accordance with the requirements of Rule 144A which bear a legend specifying certain restrictions on transfer (a "**Legend**").

"**United States**" 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.

### **3. STATUS OF THE N&C SECURITIES**

The N&C Securities and the related Receipts and Coupons (if any) are direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves and (subject to any applicable statutory provisions or judicial order) at least equally with all other present and future direct, unconditional, unsecured and unsubordinated obligations of the Issuer.

### **4. STATUS OF THE GUARANTEE**

The obligations of the Guarantor under the Guarantee are direct, unconditional, unsecured and unsubordinated obligations of the Guarantor and rank *pari passu* with all present and future direct, unconditional, unsecured and unsubordinated obligations (including those arising under deposits received in its banking business) of the Guarantor, without any preference among themselves and without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, except for obligations given priority by law.

Subject as provided below and in the Guarantee, the Guarantor has unconditionally and irrevocably:

- (a) guaranteed to each N&C Securityholder all obligations of the Issuer in respect of such N&C Securityholder's N&C Securities as and when such obligations become due; and
- (b) agreed that if and each time that the Issuer fails to satisfy any obligation under such N&C Securities as and when such obligation becomes due, the Guarantor will (without requiring the relevant N&C Securityholder first to take steps against the Issuer or any other person) make or cause to be made such payment or satisfy or cause to be satisfied such obligation punctually when and as the same shall become due and payable or due to be satisfied, as the case may be, as though the Guarantor were the principal obligor in respect of such obligation.

As more fully set forth in the Guarantee, the Guarantor shall at all times have the right, in its sole and unfettered discretion, to elect not to deliver or procure delivery of the Asset Amount (as specified in the applicable Final Terms) to the holders of Physical Delivery N&C Securities when the same shall become due and deliverable, but in lieu thereof to make payment in respect of each Physical Delivery N&C Security to the holder(s) of such Physical Delivery N&C Security of an amount determined by the Guarantor in good faith and in a commercially reasonable manner to be equal to the fair market value of the assets to which the Asset Amount in respect of the relevant N&C Security(s) relates less such N&C Security(s)' *pro rata* share of the costs of unwinding any underlying related hedging and/or funding arrangements of the Issuer and/or Guarantor (the "**Guaranteed Cash Settlement Amount**"). Any payment of the Guaranteed Cash Settlement Amount in lieu of the relevant Asset Amount shall constitute a complete discharge of the Guarantor's obligations in respect of the relevant N&C Securities save as to any other cash amounts due in respect of such N&C Securities.

### **5. INTEREST**

#### **5.1 Interest Definitions**

In these Conditions:

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest in accordance with this N&C Security Condition 5:

**General Conditions of the N&C Securities**

- (A) if "**Actual/Actual (ICMA)**" or "**Act/Act (ICMA)**" is specified in the applicable Final Terms:
- (i) in the case of N&C Securities where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period (as defined below) during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (a) the number of days in such Determination Period and (b) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year; or
  - (ii) in the case of N&C Securities where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (a) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year; and
    - (b) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year, assuming interest was to be payable in respect of the whole of that year;
- (B) if "**Actual/Actual (ISDA)**", "**Actual/Actual**", "**Act/Act**" or "**Act/Act (ISDA)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period (as defined above) falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (C) if "**Actual/365 (Fixed)**", "**Act/365 (Fixed)**", "**A/365 (Fixed)**" or "**A/365F**" is specified in the applicable Final Terms, the actual number of days in the relevant Interest Period, divided by 365;
- (D) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (E) if "**Actual/360**", "**Act/360**" or "**A/360**" is specified in the applicable Final Terms, the actual number of days in the relevant Interest Period, divided by 360;
- (F) if "**30/360 (ICMA)**" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) up to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12-30 day months) divided by 360;
- (G) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the applicable Final Terms, the number of days in the relevant Interest Period divided by 360, calculated on a formula basis as follows:

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

*Where:*

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

### *General Conditions of the N&C Securities*

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

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

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

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

- (H) if "**30E/360**" or "**Eurobond Basis**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

*Where:*

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

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

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

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

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

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

- (I) if "**30E/360 (ISDA)**" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

*Where:*

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day included in the Interest Period falls;

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

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period;

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

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"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest 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 D<sub>2</sub> will be 30; and

"**Determination Period**" means each period from (and including) a Determination Date 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).

### **5.2 Interest on Fixed Rate N&C Securities**

Each Fixed Rate N&C Security will bear interest from (and including) the Interest Commencement Date (which unless otherwise specified in the applicable Final Terms shall be the Issue Date) at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Such interest will be payable in respect of each "**Fixed Rate N&C Security Interest Period**" (which expression shall, in these Conditions and for the purposes of Fixed Rate N&C Securities only, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined in N&C Security 5.7 below), then, if the Business Day Convention specified is:

- (a) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (b) the Modified Following Business Day Convention, such Interest Payment 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 shall be brought forward to the immediately preceding Business Day; or
- (c) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

Notwithstanding anything to the contrary in these N&C Security Conditions, if a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Rate N&C Security Interest Period ending on (but excluding) such date will amount to 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 no 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 N&C Securities which are represented by a Global N&C Security, the aggregate outstanding nominal amount of the Fixed Rate N&C Securities represented by such Global N&C Security or, if they are Partly Paid N&C Securities, the aggregate amount paid up; or
- (b) in the case of Fixed Rate Notes in definitive form held by each N&C Securityholder, the aggregate outstanding nominal amount of such Fixed Rate Notes held by such N&C Securityholder,

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and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure in accordance with the Rounding Convention (as specified in N&C Security Condition 6 (Payments) below). Where the Specified Denomination of a Fixed Rate N&C Security in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate N&C Security shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

### **5.3 Interest on Floating Rate N&C Securities and Variable Interest Rate N&C Securities**

#### **(A) *Interest Payment Dates***

Each Floating Rate N&C Security and Variable Interest Rate N&C Security will bear interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year, as specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "**Interest Payment Date**") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each "**Interest Period**" (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day (as defined in N&C Security Condition 5.7 below), then, if the Business Day Convention specified is:

- (a) in any case where Specified Periods are specified in accordance with N&C Security Condition 5.3(A)(ii) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, 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 shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (b) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (c) the Modified Following Business Day Convention, such Interest Payment 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 shall be brought forward to the immediately preceding Business Day; or
- (d) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

#### **(B) *Rate of Interest***

The Rate of Interest payable from time to time in respect of Floating Rate N&C Securities and Variable Interest Rate N&C Securities will be determined in the manner specified in the applicable Final Terms.

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(i) *ISDA Determination for Floating Rate N&C Securities*

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). For the purposes of this sub paragraph (i), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or other person specified in the applicable Final Terms, under an interest rate swap transaction if the Principal Paying Agent 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 that period specified in the applicable Final Terms; and
- (c) the relevant Reset Date is either (1) 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**"), the first day of that Interest Period or (2) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (i), (x) "**Euro-zone**" means the region comprised of member states of the European Union ("**Member States**") that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and the Treaty of Amsterdam and (y) "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(ii) *Screen Rate Determination for Floating Rate N&C Securities*

(a) 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:

- (i) the offered quotation; or
- (ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page as at 11:00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date (as defined below) in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent or other person as specified in the applicable Final Terms. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent (or other person as specified in the applicable Final Terms) for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

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The Agency Agreement contains provisions for determining the Rate of Interest in the event that 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 the time specified in the preceding paragraph.

- (iii) If the Reference Rate from time to time in respect of Floating Rate N&C Securities or Variable Interest Rate N&C Securities is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such N&C Securities will be determined as provided in the applicable Final Terms.

(C) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (B) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If no other Minimum Rate of Interest for any Interest Period is specified in the applicable Final Terms, then the Minimum Rate of Interest in respect of such Interest Period shall be deemed to be zero and in no event shall the Rate of Interest for such calculation period in accordance with N&C Security Condition 5.3(B) above be less than zero.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (B) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(D) *Determination of Rate of Interest and calculation of Interest Amounts*

The Principal Paying Agent (or other person as specified in the applicable Final Terms), in the case of Floating Rate N&C Securities, and the Calculation Agent, in the case of Variable Interest Rate N&C Securities 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 for the relevant Interest Period. In the case of Variable Interest Rate N&C Securities, the Calculation Agent will notify the Principal Paying Agent of the Interest Rate for the relevant Interest Period as soon as practicable after calculating the same.

The Principal Paying Agent (or other person as specified in the applicable Final Terms), in the case of Floating Rate N&C Securities, and the Calculation Agent, in the case of Variable Interest Rate N&C Securities, will calculate the amount of interest (the "**Interest Amount**") payable on the N&C Securities for the relevant Interest Period by applying the Rate of Interest to:

- (a) in the case of Floating Rate N&C Securities and Variable Interest Rate N&C Securities which are represented by a Global N&C Security, the aggregate outstanding nominal amount of the applicable N&C Securities represented by such Global N&C Security (or, if they are Partly Paid N&C Securities, the aggregate amount paid up);
- (b) in the case of Floating Rate N&C Securities and Variable Interest Rate N&C Securities which are in definitive form held by each N&C Securityholder, the aggregate outstanding nominal amount of such Floating Rate N&C Securities or Variable Interest Rate N&C Securities (as applicable) held by such N&C Securityholder,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure in accordance with the Rounding Convention (as specified in N&C Security Condition 6 (Payments) below). Where the Specified Denomination of a N&C Security in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such N&C Security shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding. In such case, the



## ***General Conditions of the N&C Securities***

Calculation Agent will notify the Principal Paying Agent of the Interest Amount for the relevant Interest Period as soon as practicable after calculating the same.

(E) *Notification of Rate of Interest and Interest Amounts*

The Principal Paying Agent (or other person as specified in the applicable Final Terms) 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 and/or market on which the relevant N&C Securities are for the time being listed and/or admitted to trading and notice thereof to be published in accordance with N&C Security Condition 14 (Notices) as soon as possible after their determination but in no event later than the fourth (4th) London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange and/or market on which the relevant N&C Securities are for the time being listed and/or admitted to trading and to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices). For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

(F) *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 N&C Security Condition 5.3 (Interest on Floating Rate N&C Securities and Variable Interest Rate N&C Securities), whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith, manifest error or proven error) be binding on the Issuer, the Guarantor, the Principal Paying Agent, the Calculation Agent (if applicable), the other Paying Agents and all N&C Securityholders, Receiptholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Guarantor, the N&C Securityholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent (if applicable) in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

### **5.4 Interest on Dual Currency Interest N&C Securities**

The rate or amount of interest payable in respect of Dual Currency Interest N&C Securities shall be determined in the manner specified in the applicable Final Terms.

### **5.5 Interest on Partly Paid N&C Securities**

In the case of Partly Paid N&C Securities (other than Partly Paid N&C Securities which are Zero Coupon N&C Securities and other than Rule 144A Global N&C Securities, which may not be offered or sold on a partly paid basis), interest will accrue as aforesaid on the paid up nominal amount of such N&C Securities and otherwise as specified in the applicable Final Terms.

### **5.6 Accrual of interest**

Subject as provided in any Technical Annex, each N&C Security (or in the case of the redemption of part only of a N&C Security, that part only of such N&C Security) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (A) the date on which all amounts due in respect of such N&C Security have been paid and/or all assets deliverable in respect of such N&C Security have been delivered; and

## *General Conditions of the N&C Securities*

- (B) five (5) days after the date on which the full amount of the moneys payable in respect of such N&C Security has been received by the Principal Paying Agent or the Registrar, as the case may be, and/or all assets in respect of such N&C Security have been delivered and notice to that effect has been given to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices).

### **5.7 Business Day**

In these Conditions, "**Business Day**" means a day which is both:

- (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 each Additional Business Centre specified in the applicable Final Terms; and
- (b) either (x) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (y) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (or any successor thereto) (the "**TARGET2 System**") is open. Unless otherwise provided in the applicable Final Terms, or as above, the principal financial centre of any currency for the purpose of these Conditions shall be as provided in the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Associations, Inc. and as amended and updated as at the Issue Date of the first Tranche of the N&C Securities (the "**ISDA Definitions**").

## **6. PAYMENTS**

### **6.1 Payment in respect of Definitive Bearer N&C Securities**

- (A) *Payments in respect of Definitive Bearer N&C Securities*

Subject as provided below:

- (i) payments in a Specified Currency other than euro or U.S. Dollars will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency;
- (ii) payments will be made in euro 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; and
- (iii) payments will be made in U.S. Dollars by transfer to a U.S. Dollar account maintained by the payee with a bank outside of the United States (which expression, as used in this N&C Security Condition 6, means the United States of America, including the States and the District of Columbia and its possessions), or by cheque drawn on a United States bank. In no event will payment in respect of Definitive Bearer N&C Security be made by a cheque mailed to an address in the United States. All payments of interest in respect of Definitive Bearer N&C Securities will be made to accounts located outside the United States except as may be permitted by United States tax law in effect at the time of such payment without detriment to the Issuer.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of N&C Security Condition 8 (Taxation).

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### *(B) Payment of Principal and Interest in respect of Definitive Bearer N&C Securities, Receipts and Coupons*

Payments of principal in respect of Definitive Bearer N&C Securities will (subject as provided below) be made in the manner provided in N&C Security Condition 6.1(A) (Payment in respect of Definitive Bearer N&C Securities) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer N&C Securities, and payments of interest in respect of Definitive Bearer N&C Securities will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Payments of instalments of principal (if any) in respect of Definitive Bearer N&C Securities, other than the final instalment, will (subject as provided below) be made in the manner provided in N&C Security Condition 6.1(A) (Payment in respect of Definitive Bearer N&C Securities) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in N&C Security Condition 6.1(A) (Payment in respect of Definitive Bearer N&C Securities) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Definitive Bearer N&C Security in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer N&C Security to which it appertains. Receipts presented without the Definitive Bearer N&C Security to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer N&C Security 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.

### *(C) Missing Unmatured Coupons*

Fixed Rate N&C Securities in definitive bearer form (other than Dual Currency N&C Securities, Variable Interest Rate N&C Securities or Long Maturity N&C Securities ) 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 amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the 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 relative missing Coupon at any time before the expiry of ten (10) years after the Relevant Date (as defined in N&C Security Condition 9 (Prescription)) in respect of such principal (whether or not such Coupon would otherwise have become void under N&C Security Condition 9 (Prescription)) or, if later, five (5) years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

### *(D) Unmatured Coupons and Talons void*

Upon any Fixed Rate N&C Security 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 N&C Security in definitive bearer form (other than a Fixed Rate N&C Security which is not a Long Maturity N&C Security) becomes due and repayable, 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. A "**Long Maturity N&C Security**" is a Fixed Rate N&C Security (other than a Fixed Rate N&C Security which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such N&C Security shall cease to be a Long Maturity N&C Security 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 N&C Security. If the due date for redemption of any Definitive Bearer N&C Security is not an Interest Payment Date, interest (if any) accrued in respect of such N&C Security from (and including) the preceding Interest Payment Date or, as the case may be,

## ***General Conditions of the N&C Securities***

the Interest Commencement Date shall be payable only against presentation and surrender of the relevant Definitive Bearer N&C Security.

(E) *Payments of Principal and Interest in respect of Global N&C Securities*

Payments of principal and interest (if any) in respect of N&C Securities represented by any Global N&C Security in bearer form will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer N&C Securities and otherwise in the manner specified in the Definitive Bearer Global N&C Securities against presentation or surrender, as the case may be, of such Global N&C Securities at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global N&C Securities, distinguishing between any payment of principal and any payment of interest, will be made on such Global N&C Securities by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

No payments of principal, interest or other amounts due in respect of a Global N&C Security will be made by mail to an address in the United States or by transfer to an account maintained in the United States.

### **6.2 Payments in respect of Immobilised Bearer Global N&C Securities**

Payments of any amounts owing in respect of the Immobilised Bearer Global N&C Securities (including principal, interest and instalments, if any) will be made by the Issuer in the Settlement Currency to the relevant Paying Agent. The relevant Paying Agent will, in turn, make such payments to the Custodian in its capacity as the bearer of the relevant Immobilised Bearer Global N&C Securities and the amount so received by the Custodian is forwarded by it to the Book-Entry Depository in accordance with the terms of the N&C Securities Depository Agreement. Upon receipt of any such amounts, the Book-Entry Depository will pay the amounts so received to DTC or the common depository for Euroclear and/or Clearstream, Luxembourg, as applicable, which will distribute such payments to participants in accordance with their procedures.

The Issuer, the Principal Agent and the Registrar will treat the bearer of the Immobilised Bearer Global N&C Securities as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Book-Entry Depository, any Agent, the Registrar or any agent of the Issuer, any Agent or the Registrar has or will have any responsibility or liability for:

- (A) any aspect of the records of DTC, Euroclear, Clearstream, Luxembourg or any participants or indirect participant relating to, or payments made on account of, DTC, Euroclear, Clearstream, Luxembourg or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- (B) DTC, Euroclear, Clearstream, Luxembourg or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

In the event any Immobilised Bearer Global N&C Security (or any portion thereof) is redeemed, the Book-Entry Depository will, through DTC, Euroclear or Clearstream, Luxembourg, as applicable, redeem an equal amount of the Book-Entry Interests in such Immobilised Bearer Global N&C Security from the amount received by it in respect of the redemption of such Immobilised Bearer Global N&C Security. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by the Book-Entry Depository in connection with the redemption of such Immobilised Bearer Global N&C Securities (or any portion thereof). If fewer than all of the N&C Securities are to be redeemed at any time, DTC, Euroclear and Clearstream, Luxembourg will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate.

## *General Conditions of the N&C Securities*

### **6.3 Payments in respect of Definitive Registered N&C Securities**

#### *(A) Payments of principal in respect of Definitive Registered N&C Securities*

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Definitive Registered N&C Security will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Definitive Registered N&C Security at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account of the holder (or the first named of joint holders) of the Definitive Registered N&C Security appearing in the register of holders of the Definitive Registered N&C Security maintained by the Registrar (the "**Register**") at the close of business on the fifteenth (15th) calendar day (whether or not such fifteenth day is a business day) before the relevant due date (the "**Record Date**"). Notwithstanding the previous sentence, if (i) a holder does not have a Designated Account or (ii) the nominal amount of the N&C Securities held by a holder is less than U.S.\$100,000 (or its approximate equivalent in any other Specified Currency), payment will instead be made by a cheque in the Specified Currency drawn on a Designated Bank. For these purposes, "**Designated Account**" means the account maintained by a holder with a designated bank and identified as such in the Register and "**Designated Bank**" means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in euro) any bank which processes payments in euro.

#### *(B) Payments of interest and instalments in respect of Definitive Registered N&C Securities*

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Definitive Registered N&C Security will be made by a cheque in the Specified Currency drawn on a Designated Bank and mailed by uninsured mail on the business day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Definitive Registered N&C Security appearing in the Register at the close of business on the Record Date at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three (3) business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Definitive Registered N&C Security, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Definitive Registered N&C Securities which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Definitive Registered N&C Security on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Definitive Registered N&C Security.

Holders of Definitive Registered N&C Securities will not be entitled to any interest or other payment for any delay in receiving any amount due in respect of any Definitive Registered N&C Security as a result of a cheque posted in accordance with this N&C Security Condition arriving after the due date for payment or being lost in the post. No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Definitive Registered N&C Securities.

#### *(C) Payment by the DTC*

All amounts payable to DTC or its nominee as registered holder of a U.S. CDI in respect of N&C Securities denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for payment in such Specified Currency for conversion into U.S. dollars in accordance with the provisions of the Agency Agreement.

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### **6.4 General provisions applicable to payments**

The holder of a Global N&C Security shall be the only person entitled to receive payments or to make a claim in respect of N&C Securities represented by such Global N&C Security and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such Global N&C Security in respect of each amount so paid. Each of the persons shown in the records of DTC, Euroclear or Clearstream, Luxembourg or the relevant clearance system specified in the applicable Final Terms, as the beneficial holder of a particular nominal amount or number of units of N&C Securities represented by such Global N&C Security must look solely to DTC, Euroclear or Clearstream, Luxembourg or the relevant clearance system specified in the applicable Final Terms, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global N&C Security.

### **6.5 Place of Payment**

Notwithstanding the foregoing provisions of this N&C Security Condition 6, if any amount of principal and/or interest in respect of N&C Securities (other than those in definitive registered form) is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such N&C Securities will be made at the specified office of a Paying Agent in the United States if:

- (A) 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 on the Bearer N&C Securities in the manner provided above when due;
- (B) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (C) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to the Issuer or the Guarantor.

Any amount payable in respect of an N&C Security which exceeds the sum subscribed represents an amount payable by the Issuer (i) as consideration for the use of the sum subscribed by the Issuer and (ii) as compensation for and in recognition that in certain circumstances the amount repayable on maturity may be less than the sum subscribed or that the amount paid in excess of the sum subscribed may have been less than the prevailing rate of interest (generally payable by the Issuer) at the time when the N&C Securities were issued.

### **6.6 Payment Days**

Subject to N&C Security Condition 5.3(A) (Interest Payment Dates), if the date for payment (the "**Relevant Payment Date**") of any amount in respect of any N&C Security, Receipt or Coupon is not a Payment Day, the holder thereof will instead be entitled to payment on the relevant day determined in accordance with the relevant Payment Day Convention as set out below and will not be entitled to any further interest or other payment in respect of any delay.

Where:

- (a) the Payment Day Convention is specified as "Following" in the applicable Final Terms, or where no Payment Day Convention is specified in the applicable Final Terms, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place;
- (b) the Payment Day Convention is specified as "Modified Following" in the applicable Final Terms, the holder thereof shall not be entitled to payment until the next day which is a Payment Day unless such day falls in the next calendar month, in which event such holder shall be entitled to payment on the Payment Day immediately preceding the Relevant Payment Date (the "**Adjusted Date for Payment**"); and

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- (c) the Payment Day Convention is specified as "Preceding" in the applicable Final Terms, the holder thereof shall be entitled to payment on the Payment Day immediately preceding the Relevant Payment Date (the "**Adjusted Date for Payment**"),

Provided That, in the event that any day upon which a valuation or determination is required to be made for the purposes of determining the amount of the payment to be made in respect of the Relevant Payment Date (each such date a "**Relevant Valuation Date**") would, as a result of the adjustment anticipated in paragraph (b) or (c) above, fall after the second Business Day preceding the Adjusted Date for Payment, N&C Securityholders will not be entitled to the relevant payment due in respect of the Relevant Payment Date until the day falling two (2) Business Days following the last occurring Relevant Valuation Date.

"**Payment Day**" means any day which (subject to N&C Security Condition 9 (Prescription)):

- (A) (i) is 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:
- (a) in the case of N&C Securities in definitive form only, the relevant place of presentation; and
  - (b) each Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open; and
- (B) in the case of any payment in respect of a U.S. Book-Entry Interest denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such U.S. Book-Entry Interest) has elected to receive any part of such payment in U.S. dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City.

### **6.7 Interpretation of principal and interest**

Any reference in the Conditions to principal in respect of the N&C Securities shall be deemed to include, as applicable:

- (A) the Final Redemption Amount of the N&C Securities;
- (B) the Early Redemption Amount of the N&C Securities;
- (C) the Optional Redemption Amount(s) (if any) of the N&C Securities;
- (D) in relation to N&C Securities redeemable in instalments, the Instalment Amounts;
- (E) in relation to Zero Coupon N&C Securities, the Amortised Face Amount (as defined in N&C Security Condition 7.7 (Early Redemption Amounts)); and
- (F) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the N&C Securities.

### **6.8 Rounding Convention**

For the purposes of calculations made pursuant to N&C Security Condition 5.2 (Interest on Fixed Rate N&C Securities) and N&C Security Condition 5.3 (Interest on Floating Rate N&C Securities and Variable Interest Rate N&C Securities) any figure to be rounded will, if other than a sub-unit in the relevant Specified Currency:

## *General Conditions of the N&C Securities*

- (A) if "Rounded Up" is specified in the applicable Final Terms, be rounded upwards to the next sub-unit of the relevant Specified Currency,
- (B) if "Rounded Down" is specified in the applicable Final Terms, be rounded downwards to the next sub-unit of the relevant Specified Currency; or
- (C) in the event that no Rounding Convention is specified in the applicable Final Terms be rounded down as if "Rounded Down" had been specified,

provided that, in each case, the Calculation Amount in respect of N&C Securities which are (i) held by the same N&C Securityholder, (ii) of the same Series and (iii) in definitive form, shall be aggregated for the purpose of determining the aggregate amount of interest due in respect of any Interest Payment Date.

For the purposes of calculating any other cash amounts which may be payable by the Issuer under or in respect of the N&C Securities and which are other than a sub-unit in the relevant Specified Currency (including for the avoidance of doubt the Final Redemption Amount), unless otherwise specified in the applicable Final Terms, each such amount will be rounded downwards to the next sub-unit of the relevant specified currency.

### **6.9 Sub-units**

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

## **7. REDEMPTION AND PURCHASE**

### **7.1 Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each N&C Security (unless otherwise specified in the applicable Final Terms or Technical Annex(es)) 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 or if the N&C Securities are Physical Delivery N&C Securities, by delivery of the Asset Amount, subject to fulfilment of the provisions of the applicable Technical Annex.

### **7.2 Redemption at the option of N&C Securityholders (Investor Put)**

If Investor Put is specified in the applicable Final Terms, subject to, and in accordance with, the terms specified in the applicable Final Terms, upon the holder of any N&C Security giving to the Issuer in accordance with N&C Security Condition 14 (Notices) not less than 15 nor more than 30 calendar days' notice, the Issuer will, upon the expiry of such notice, redeem, in whole (but not, in the case of a Definitive Bearer N&C Security, in part) such N&C Security on the Optional Redemption Date (as specified in the applicable Final Terms) and at the Optional Redemption Amount (as specified in the applicable Final Terms) together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. Definitive Registered N&C Securities may be redeemed under this N&C Security Condition 7.2 in any multiple of their lowest Specified Denomination. 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.

To exercise the right to require redemption of this N&C Security the holder of this N&C Security must, if this N&C Security is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Definitive Bearer N&C Securities) or the Registrar (in the case of Definitive Registered N&C Securities) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this N&C Security Condition 7.2 and, in the case of Definitive Registered N&C Securities, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Definitive Registered N&C Securities so surrendered is to be redeemed, an address to which a new Definitive Registered N&C Security in respect of



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the balance of such Definitive Registered N&C Securities is to be sent subject to and in accordance with the provisions of N&C Security Condition 2.2 (Transfers of Definitive Registered N&C Securities). If this N&C Security is in definitive bearer form, the Put Notice must be accompanied by this N&C Security or evidence satisfactory to the Paying Agent concerned that this N&C Security will, following delivery of the Put Notice, be held to its order or under its control.

If this N&C Security is represented by a Global N&C Security or is in definitive form and held through DTC or Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this N&C Security the holder of this N&C Security must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of DTC or Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Principal Paying Agent by electronic means) in a form acceptable to DTC or Euroclear and Clearstream, Luxembourg from time to time and, if this N&C Security is represented by a Global N&C Security, the terms of which require presentation for recording changes to its nominal amount or number of units, at the same time present or procure the presentation of the relevant Global N&C Security to the Principal Paying Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of DTC, Euroclear and Clearstream, Luxembourg given by a holder of any N&C Security pursuant to this N&C Security Condition 7.2 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this N&C Security Condition 7.2 and instead to declare such N&C Security forthwith due and payable pursuant to N&C Security Condition 10 (Events of Default).

### **7.3 Redemption at the option of the Issuer (Issuer Call)**

If Issuer Call is specified in the applicable Final Terms, the Issuer may, subject to, and in accordance with, the terms specified in the applicable Final Terms, having given:

- (a) not less than 15 nor more than 30 calendar days' notice to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices); and
- (b) not less than 15 calendar days before the giving of the notice referred to in (a) above, notice to the Principal Paying Agent and, in the case of a redemption of Definitive Registered N&C Securities, the Registrar;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the N&C Securities then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount or number of units not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of N&C Securities, the N&C Securities to be redeemed ("**Redeemed N&C Securities**") will be selected individually by lot, in the case of Redeemed N&C Securities represented by definitive N&C Securities, and in accordance with the rules of DTC and/or 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) and in the case of Redeemed N&C Securities represented by a Global N&C Security, not more than 30 calendar days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**"). In the case of Redeemed N&C Securities represented by definitive N&C Securities, a list of the serial numbers of such Redeemed N&C Securities will be published in accordance with N&C Security Condition 14 (Notices) not less than 15 calendar days prior to the date fixed for redemption. No exchange of the relevant Global N&C Security will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this N&C Security Condition 7.3 and notice to that effect shall be given by the Issuer to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices) at least five (5) days prior to the Selection Date.

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### **7.4 Redemption for illegality**

In the event that the Calculation Agent determines that the performance of the obligations of the Issuer under the N&C Securities or the obligations of the Guarantor under the Guarantee, or any arrangements made to hedge the Issuer's obligations under the N&C Securities, has or will become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any applicable present or future law, rule, regulation, judgement, order or directive of any governmental, administrative, legislative or judicial authority or power, or the interpretation thereof, the Issuer may, having given not less than 10 nor more than 30 calendar days' notice to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices) (which notice shall be irrevocable), on the expiry of such notice redeem all, but not some only, of the N&C Securities, each N&C Security being redeemed at the Early Redemption Amount.

### **7.5 Regulatory Redemption Event**

In the event that the Calculation Agent determines that a change in applicable law or regulation has occurred which results, or will result, solely by reason of the N&C Securities being outstanding, in the Issuer being required to be regulated by any additional jurisdiction or regulatory authority, or being subject to any additional legal requirement or regulation considered by the Issuer to be materially onerous to it, the Issuer having given not less than 10 nor more than 30 calendar days' notice to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices) (which notice shall be irrevocable) may, on the expiry of such notice redeem all, but not some only, of the N&C Securities, each N&C Security being redeemed at the Early Redemption Amount. Payment shall be made in such manner as shall be notified to N&C Securityholders in accordance with N&C Security Condition 14 (Notices).

### **7.6 Redemption for tax reasons**

The N&C Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this N&C Security is a Fixed Rate N&C Security or a Zero Coupon Interest N&C Security) or on any Interest Payment Date (if this N&C Security is a Floating Rate N&C Security, a Variable Interest Rate N&C Security or a Dual Currency Interest N&C Security), on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with N&C Security Condition 14, the N&C Securityholders (which notice shall be irrevocable), if:

- (a) on the occasion of the next payment due under the N&C Securities, the Issuer has or will become obliged to account for any present or future taxes, duties, assessments or governmental charges levied (including, for the avoidance of doubt, on account of any withholding tax imposed under FATCA ("FATCA Withholding Tax")) or the Guarantor, if making payment itself, would be or would become obliged to account for any present or future taxes, duties, assessments or governmental charges levied (including, for the avoidance of doubt, on account of any FATCA Withholding Tax); and
- (b) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it. Reasonable measures shall not include anything which has any material impact on the business of the Issuer or the Guarantor, as the case may be, or which would cause the Issuer or the Guarantor, as the case may be, to incur any material costs, and

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to account for any such taxes, duties, assessments or governmental changes were a payment in respect of the N&C Securities then due.

N&C Securities redeemed pursuant to this Condition will be redeemed at their Early Redemption Amount referred to in paragraph 7.7 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

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### 7.7 Early Redemption Amounts

For the purpose of N&C Security Conditions 7.4 (Redemption for illegality), 7.5 (Regulatory Redemption Event), 7.6 (Redemption for tax reasons) and N&C Security 10 (Events of Default) or in the case of any other early redemption of the N&C Securities in an applicable Technical Annex or as otherwise specified in the applicable Final Terms, N&C Security will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a N&C Security with a Final Redemption Amount equal to the Issue Price, subject as provided below, the Final Redemption Amount thereof; or
- (b) in the case of a N&C Security (other than a Zero Coupon N&C Security but including an Instalment N&C Security and a Partly Paid N&C Security) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the N&C Security is denominated, subject as provided below, the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (c) in the case of a Zero Coupon N&C Security, an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

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

where:

RP means the Reference Price; and

AY means the 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 N&C Securities to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such N&C Security 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

- (d) if "**Market Value**" is specified as the Early Redemption Amount in the applicable Final Terms, the Early Redemption Amount in respect of each unit of N&C Securities or nominal amount of N&C Securities equal to the Calculation Amount shall be an amount determined by the Calculation Agent, which on (i) in the case of redemption other than pursuant to N&C Security Condition 10 (Events of Default), the second (2nd) Business Day immediately preceding the due date for the early redemption of the N&C Security or (ii) in the case of redemption pursuant to N&C Security Condition 10 (Events of Default), the due date for the early redemption of the N&C Security, represents the fair market value of the N&C Security taking into account all factors which the Calculation Agent determines relevant (including, but not limited to, interest rates, index levels, implied volatilities in the option markets and exchange rates), *less*, (other than in the case of Italian SeDeX Securities), Associated Costs. In respect of N&C Securities bearing interest and unless otherwise specified in the applicable Final Terms, the Early Redemption Amount, as determined by the Calculation Agent, in accordance with this paragraph, shall include any accrued interest up to but excluding (i) the second (2nd) Business Day immediately preceding the relevant early redemption date, in the case of redemption other than pursuant to N&C Security Condition 10 (Events of Default), or (ii) the due date for the early redemption of the N&C Security, in case of redemption pursuant to N&C Security Condition 10 (Events of Default), and apart from any such interest included in the Early Redemption Amount, no interest, accrued or otherwise, or any other amount whatsoever will be payable by the Issuer or, as the case may be, the Guarantor in respect of such redemption. Where such interest calculation is to be made for a period of less than a full Interest Period, it shall be made on the basis of the Day Count Fraction, if applicable, specified in the applicable Final Terms, and shall include the interest

## ***General Conditions of the N&C Securities***

accrued from and including the Interest Payment Date falling immediately prior to the due date for redemption, to but excluding the (i) the second (2nd) Business Day immediately preceding the relevant due date for redemption, in the case of redemption other than pursuant to N&C Security Condition 10 (Events of Default), or (ii) the due date for the early redemption of the N&C Security, in case of redemption pursuant to N&C Security Condition 10 (Events of Default).

As used herein:

"**Associated Costs**" means an amount per nominal amount of the N&C Security equal to the Calculation Amount equal to such N&C Securities *pro rata* share (determined on the basis of the nominal amount of the N&C Security and the aggregate nominal amount of all N&C Securities which have not previously been redeemed or cancelled as at the Early Redemption Date) of the total amount of any and all costs or expenses associated or incurred by the Issuer, any Affiliate and/or Hedging Party (as applicable) in connection with such early redemption, including, without limitation, any costs associated with unwinding the funding relating to the N&C Securities and any costs associated with unwinding any hedge positions relating to the N&C Securities, all as determined by the Calculation Agent in its sole and absolute discretion.

### **7.8 Automatic Early Redemption Event**

If Automatic Early Redemption is specified as applicable in the applicable Final Terms, then unless previously redeemed or purchased and cancelled, if an Automatic Early Redemption Event as specified in the applicable Final Terms occurs, then the Issuer will give notice to N&C Securityholders in accordance with N&C Security Condition 14 (Notices) and the N&C Securities will be redeemed in whole, but not in part, on the Automatic Early Redemption Date as specified in the applicable Final Terms at the Automatic Early Redemption Amount as specified in the applicable Final Terms. For the purposes of these Conditions, the Agency Agreement, the Guarantee, Global N&C Securities and other forms of N&C Securities, all references to an Early Redemption Date or Early Redemption Amount shall be deemed to include a reference to an Automatic Early Redemption Date or Automatic Early Redemption Amount, as applicable.

### **7.9 Instalments**

Instalment N&C Securities will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to N&C Security Condition 7.7 (Early Redemption Amounts).

### **7.10 Partly Paid N&C Securities**

Partly Paid N&C Securities (other than Rule 144A Global N&C Securities, which may not be offered or sold on a partly paid basis) will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this N&C Security Condition 7 and the applicable Final Terms.

### **7.11 Purchases**

The Issuer, the Guarantor or any of their respective Affiliates (as defined below) may at any time purchase N&C Securities (provided that, in the case of Definitive Bearer N&C Securities, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise, in accordance with applicable laws and regulations. Such N&C Securities may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered to any Paying Agent and/or the Registrar for cancellation, provided that any N&C Securities represented by a Rule 144A Global N&C Security so purchased may only be resold pursuant to Rule 144A.

### **7.12 Cancellation**

All N&C Securities which are redeemed will forthwith be cancelled (together, in the case of Definitive Bearer N&C Securities, with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All N&C Securities so cancelled and any N&C Securities purchased and cancelled pursuant to N&C Security Condition 7.11 (Purchases) above (together, in the case of Definitive Bearer N&C Securities, with all unmatured Receipts,

## *General Conditions of the N&C Securities*

Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

### **7.13 Late payment on Zero Coupon N&C Securities**

Except as provided in the applicable Final Terms, if the amount payable in respect of any Zero Coupon N&C Security upon early redemption of such Zero Coupon N&C Security pursuant to N&C Security Conditions 7.4 (Redemption for illegality) or 7.5 (Regulatory Redemption Event) above or upon its becoming due and repayable as provided in N&C Security Condition 10 (Events of Default) or otherwise pursuant to any Technical Annex is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon N&C Security shall be the amount calculated as provided in N&C Security Condition 7.7(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon N&C Security 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 N&C Security have been paid; and
- (ii) five (5) days after the date on which the full amount of the moneys payable in respect of such Zero Coupon N&C Securities has been received by the Agent or the Registrar and notice to that effect has been given to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices).

### **7.14 Other Relevant Definitions**

For the purposes of the Conditions:

**"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 or person or, if the Calculation Agent determines appropriate, the power to direct or cause the direction of the management and policies of the First Entity, whether by contract, or otherwise.

**"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 N&C Securities from time to time.

## **8. TAXATION**

All payments of principal and interest in respect of the N&C Securities, Receipts and Coupons by the Issuer (or as the case may be, the Guarantor) will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied unless such withholding or deduction is required by law (including pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to FATCA). In such event, the Issuer (or as the case may be, the Guarantor or the relevant Paying Agent) will make such payment after the withholding or deduction of such taxes, duties, assessments or governmental charges has been made, shall account to the relevant authorities for the amount required to be withheld or deducted and shall not pay any additional amounts to the holders of the N&C Securities, Receipts or Coupons.

## **9. PRESCRIPTION**

The N&C Securities (whether in bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of ten (10) years (in the case of principal) and five (5) years (in the case of interest) after the Relevant Date therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this N&C Security Condition 9 or N&C Security Condition 6.1(D) (*Payment of principal in respect of Definitive Bearer N&C Securities - Unmatured Coupons and Talons void*) or any Talon which would be void pursuant to N&C Security Condition 6.1(D) (*Payment of principal in respect of Definitive Bearer N&C Securities - Unmatured Coupons and Talons void*).

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For the purposes of these Conditions, the "**Relevant Date**" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar, as the case may be on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices).

### **10. EVENTS OF DEFAULT**

10.1 If (a) any one or more of the following events shall occur and be continuing and (b) the holders of at least twenty-five per cent. (25%) in nominal amount or, in the case of N&C Securities issued in units, of the number of the N&C Securities then outstanding so request, the Issuer by notice in relation to the same event given in accordance with N&C Security Condition 14 (Notices), then, upon the date of such notice requirement in (b) above being satisfied or, in the case of an event as described in (ii) below, on expiry of the relevant time period specified therein, the relevant event shall be treated as an "**Event of Default**" and unless (in the case of (i) or (ii) below) the relevant default(s) or failure(s) shall have been cured by the Issuer or the Guarantor prior to receipt of such written notice, all but not some only of the N&C Securities shall forthwith become due and repayable at the Early Redemption Amount, without presentment, demand, protest or other notice of any kind. For the purposes of (a) above the relevant events are:

- (i) default is made for a period of 30 days or more in the payment of any principal or interest (including, for the avoidance of doubt, as applicable, delivery of assets) due in respect of the N&C Securities or any of them. The Issuer and Guarantor shall not, however, be in default if such sums were not paid in order to comply with a mandatory law, regulation or order of any court of competent jurisdiction. Where there is doubt as to the validity or applicability of any such law, regulation or order, the Issuer or, as the case may be, the Guarantor will not be in default if it acts on the advice given to it during such 30 day period by an independent legal adviser; or
- (ii) the Issuer or the Guarantor fails to perform or observe any of its other obligations under the N&C Securities, the Guarantee or the Agency Agreement (as the case may be) and such failure continues for the period of 60 days next following the notice requirement as described in (b) above being satisfied; or
- (iii) an effective resolution is passed or an order is made for the winding-up or dissolution of the Issuer or the Guarantor (except for the purposes of a reconstruction or amalgamation where the entity resulting from such reconstruction or amalgamation assumes all the rights and obligations of, as the case may be, the Issuer (including its obligations under the N&C Securities) or the Guarantor (including its obligations under the Guarantee)).

At any time after such a declaration of acceleration with respect to the N&C Securities has been made and before a judgment or decree for payment of the money due with respect to any N&C Security has been obtained by any Securityholder, such declaration and its consequences may be rescinded and annulled upon the written consent of holders of a majority in aggregate nominal amount or, in the case of N&C Securities issued in units, of the number of the N&C Securities then outstanding, or by resolution adopted by a majority in aggregate nominal amount or, in the case of N&C Securities issued in units, of the number of the N&C Securities outstanding present or represented at a meeting of holders of the N&C Securities at which a quorum is present, as provided in the Agency Agreement, if:

- (1) (A) the Issuer has paid or deposited with the Principal Paying Agent a sum sufficient to pay:
  - (i) all overdue amounts of interest on the N&C Securities;
  - (ii) all other amounts which have become due in respect of the N&C Securities otherwise than by such declaration of acceleration; or
- (B) in the case of N&C Securities to be redeemed by physical delivery, the Issuer has delivered the relevant assets to any agent appointed by the Issuer to deliver such assets to the N&C Securityholders; and

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- (2) all Events of Default with respect to the N&C Securities, other than the non-payment of the Early Redemption Amounts which have become due solely by such declaration of acceleration, have been cured or waived by the relevant written resolution or resolution as provided above.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

- 10.2 Any default by the Issuer or the Guarantor, other than the events described in N&C Security Condition 10.1(i) above, may be waived by the written consent of holders of a majority in aggregate principal amount of the N&C Securities then outstanding affected thereby, or by resolution adopted by a majority in aggregate principal amount of such N&C Securities then outstanding present or represented at a meeting of holders of the N&C Securities affected thereby at which a quorum is present, as provided in the Agency Agreement.

### **11. REPLACEMENT OF N&C SECURITIES, RECEIPTS, COUPONS AND TALONS**

Should any N&C Security or, if applicable, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed it may be replaced, in the case of Definitive Bearer N&C Securities, Receipts or Coupons, at the specified office of the Principal Paying Agent or, in the case of Definitive Registered N&C Securities, at the specified office of the Registrar (or in any case such other place of which notice shall have been given to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices) upon payment in any such case by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced N&C Securities or, if applicable, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

### **12. AGENTS**

The Issuer is entitled to vary or terminate the appointment of any Agent and/or approve any change in the specified office through which any Agent acts and/or appoint additional or other Agents, provided that:

- (A) there will at all times be a Principal Paying Agent and a Registrar;
- (B) so long as the N&C Securities are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent (in the case of Definitive Bearer N&C Securities) and a Transfer Agent (in the case of Definitive Registered N&C Securities) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (C) so long as any of the Definitive Registered Global N&C Securities payable in a Specified Currency other than U.S. dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in New York City.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in N&C Security Condition 6.5 (Place of Payment). Any variation, termination, appointment or change in relation to any Series of N&C Securities 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 N&C Securityholders of the relevant Series of N&C Securities in accordance with N&C Security Condition 14 (Notices).

In acting under the Agency Agreement, the Agents act solely as agents or, as the case may be, a registrar of the Issuer and the Guarantor, and do not assume any obligation to, or relationship of agency or trust with, any N&C Securityholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor Agent.

The Issuer undertakes that, it will ensure that it maintains a Paying Agent with a specified office 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, any such Directive, provided that under no circumstances shall the Issuer be obliged to maintain a Paying Agent with a specified office in such Member State unless at

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least one European Member State does not require a Paying Agent making payments through a specified office in that Member State to so withhold or deduct tax.

The Principal Paying Agent shall have no responsibility for errors or omissions in any calculations and determinations made hereunder, and all such calculations and determinations shall (save in the case of manifest error) be final and binding on the Issuer, the Guarantor, the Paying Agents, the N&C Securityholders, the Receipholders and the Couponholders.

### **13. 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 be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent 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 N&C Security to which it appertains) a further Talon, subject to the provisions of N&C Security Condition 9 (Prescription).

### **14. NOTICES**

All notices regarding the N&C Securities will be deemed to be validly given if published in one leading English language daily newspaper of general circulation in London (or, in the case of Italian Securities, a leading Italian language newspaper). It is expected that, other than in the case of Italian Securities, such publication will be made in the Financial Times in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the N&C Securities are for the time being listed or by which they have been admitted to listing. 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. If publication as provided above is not practicable, notice will be given in such other manner as the Issuer deems appropriate. Any such notice will be deemed to have been given on the date of such notice.

Until such time as any definitive N&C Securities are issued, notice may be given (so long as any Global N&C Securities representing the N&C Securities are held in their entirety on behalf of DTC, Euroclear and/or Clearstream, Luxembourg (and so long as the rules of any stock exchange on which the N&C Securities are listed, or the rules of any other relevant authority by which the N&C Securities have been admitted to listing, permit)) by delivery of the relevant notice to DTC, Euroclear and/or Clearstream, Luxembourg (instead of by way of publication or mailing) for communication by them to the holders of the N&C Securities provided that, in addition, for so long as any N&C Securities are listed on a stock exchange or admitted to listing by any other relevant authority and the rules of that stock exchange or other relevant authority so require, such notice will be published in a daily newspaper of general circulation in a place or places required by the rules of that stock exchange or other relevant authority. Any such notice shall be deemed to have been given to the holders of the N&C Securities on the day on which the said notice was given to DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be.

All notices regarding the Definitive Registered N&C Securities will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Definitive Registered N&C Securities are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

In the case of definitive N&C Securities, notices to be given by any N&C Securityholder shall be in writing and given by lodging the same, together with the relative N&C Security or N&C Securities, with the Principal Paying Agent (in the case of Definitive Bearer N&C Securities) or the Registrar (in the case of Definitive Registered N&C Securities). Whilst any of the N&C Securities are represented by a Global N&C Security, such notice may be given by any holder of a N&C Security to the Principal Paying Agent or the Registrar through DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, in writing or by facsimile or electronically or in such other manner as the Principal Paying Agent, the Registrar and DTC, Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.



## *General Conditions of the N&C Securities*

### 15. SUBSTITUTION

#### (a) Substitution of Issuer

The Issuer (or any previously substituted company from time to time) shall, without the consent of the N&C Securityholders, be entitled at any time to substitute for the Issuer any other company (the "**Substitute Issuer**") as principal debtor in respect of all obligations arising from or in connection with the N&C Securities provided that (i) all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the N&C Securities represent valid, legally binding and enforceable obligations of the Substitute Issuer have been taken, fulfilled and done and are in full force and effect; (ii) the Substitute Issuer shall have assumed all obligations arising from or in connection with the N&C Securities and shall have become a party to the Agency Agreement, with any consequential amendments; (iii) the obligations of the Substitute Issuer in respect of the N&C Securities shall be unconditionally and irrevocably guaranteed by the Guarantor; (iv) each stock exchange or listing authority on which the N&C Securities are listed shall have confirmed that following the proposed substitution of the Substitute Issuer the N&C Securities would continue to be listed on such stock exchange; and (v) the Issuer shall have given at least 14 calendar days' prior notice of the date of such substitution to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices).

#### (b) Substitution of Branch

The Issuer shall have the right upon notice to the N&C Securityholders in accordance with N&C Security Conditions 14 (Notices) to change the branch or office through which it is acting for the purpose of the N&C Securities, the date of such change to be specified in such notice provided that no change can take place prior to the giving of such notice.

### 16. MEETINGS OF N&C SECURITYHOLDERS AND MODIFICATIONS

The Agency Agreement contains provisions for convening meetings of the N&C Securityholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in Schedule 6 of the Agency Agreement) of a modification of the N&C Securities, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or the Guarantor at any time and shall be convened by the Issuer at the request of N&C Securityholders holding not less than five per cent. (5%) in nominal amount or number of units of the N&C Securities for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing in the aggregate not less than fifty per cent. (50%) in nominal amount or number of units of the N&C Securities for the time being outstanding, or at any adjourned such meeting one or more persons being or representing N&C Securityholders whatever the nominal amount or number of units of the N&C Securities so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the N&C Securities, the Receipts or the Coupons (including modifying the date of maturity of the N&C Securities or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the N&C Securities or altering the currency in which payments under the N&C Securities, Receipts and Coupons are to be made), the quorum shall be one or more persons holding or representing in the aggregate not less than two-thirds, or, at any adjourned such meeting, one or more persons holding or representing in the aggregate not less than one-third, in nominal amount or number of units of the N&C Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of the N&C Securityholders shall be binding on all the N&C Securityholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Principal Paying Agent and the Issuer may agree, without the consent or sanction of the N&C Securityholders, Receiptholders or Couponholders to:

- (A) any modification of (except as mentioned above) the provisions of the N&C Securities, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the N&C Securityholders; or
- (B) any modification of any of the provisions of these Conditions, the N&C Securities, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or is to comply with mandatory provisions of applicable law.

## *General Conditions of the N&C Securities*

Any such modification shall be binding on the N&C Securityholders, the Receiptholders and the Couponholders and any such modification shall be notified to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices) as soon as practicable thereafter.

### **17. REDENOMINATION**

#### **17.1 Redenomination**

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the N&C Securityholders, the Receiptholders and the Couponholders on giving prior notice to the Principal Paying Agent, Euroclear and Clearstream, Luxembourg and at least thirty (30) calendar days' prior notice to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices) elect that, with effect from the Redenomination Date specified in the notice, the N&C Securities shall be redenominated in euro.

The election will have effect as follows:

- (a) the N&C Securities and the Receipts shall be deemed to be redenominated in euro in the denomination of euro 0.01 with a nominal amount for each N&C Security and Receipt equal to the nominal amount of that N&C Security or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Principal Paying Agent, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the N&C Securityholders, the stock exchange (if any) on which the N&C Securities may be listed and the Paying Agents of such deemed amendments;
- (b) save to the extent that an Exchange Notice has been given in accordance with N&C Security Condition 17.1(d) below, the amount of interest due in respect of the N&C Securities will be calculated by reference to the aggregate nominal amount of N&C Securities presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01;
- (c) if definitive N&C Securities are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer (i) in the case of Relevant N&C Securities, in the denomination of euro 100,000 and/or such higher amounts as the Agent may determine and notify to the N&C Securityholders and any remaining amounts less than euro 100,000 shall be redeemed by the Issuer and paid to the N&C Securityholders in euro in accordance with N&C Security Condition 6 (Payments); and (ii) in the denominations of euro 1,000, euro 10,000, euro 50,000 and (but only to the extent of any remaining amounts less than euro 1,000 or such smaller denominations as the Principal Paying Agent may approve) euro 0.01 and such other denominations as the Principal Paying Agent shall determine and notify to the N&C Securityholders;
- (d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the N&C Securities) will become void with effect from the date on which the Issuer gives notice (the "**Exchange Notice**") that replacement euro-denominated N&C Securities, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any N&C Securities and Receipts so issued will also become void on that date although those N&C Securities and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated N&C Securities, Receipts and Coupons will be issued in exchange for N&C Securities, Receipts and Coupons denominated in the Specified Currency in such manner as the Agent may specify and as shall be notified to the N&C Securityholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the N&C Securities;
- (e) after the Redenomination Date, all payments in respect of the N&C Securities, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the N&C Securities to the Specified Currency were to euro. Payments will

## *General Conditions of the N&C Securities*

be made in euro 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;

- (f) if the N&C Securities are Fixed Rate N&C Securities and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:
  - (i) in the case of the N&C Securities represented by a Global N&C Security, by applying the Rate of Interest to the aggregate outstanding nominal amount of the N&C Securities represented by such Global N&C Security; and
  - (ii) in the case of definitive N&C Securities, by applying the Rate of Interest to 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 N&C Security in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate N&C Security shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding;

- (g) if the N&C Securities are Floating Rate N&C Securities, the applicable Final Terms will specify any relevant changes to the provisions relating to interest; and
- (h) such other changes shall be made to this Condition as the Issuer may decide, after consultation with the Principal Paying Agent, and as may be specified in the notice, to conform it to conventions then applicable to instruments denominated in euro.

### **17.2 Definitions**

In the Conditions, the following expressions have the following meanings:

**"Established Rate"** means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty;

**"euro"** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

**"Redenomination Date"** means (in the case of interest bearing N&C Securities) any date for payment of interest under the N&C Securities or (in the case of any other N&C Securities) any date, in each case specified by the Issuer in the notice given to the N&C Securityholders pursuant to N&C Security Condition 17.1 above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union; and

**"Relevant N&C Securities"** means all N&C Securities where the applicable Final Terms provide for a minimum Specified Denomination in the Specified Currency which is equivalent to at least euro 100,000 and which are admitted to trading on a regulated market in the European Economic Area; and

**"Treaty"** means the Treaty on the Functioning of the European Union, as amended.

### **18. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the N&C Securityholders, the Receiptholders or the Couponholders to create and issue further N&C Securities having terms and conditions the same as the N&C Securities or

## *General Conditions of the N&C Securities*

the same in all respects save for the issue price and date of issue thereof and the amount and date of the first payment of interest thereon and so as to be consolidated and form a single Series with the outstanding N&C Securities.

### **19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of the N&C Securities by virtue of the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any kind which exists or is available apart from that Act.

### **20. SEVERABILITY**

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

### **21. GOVERNING LAW**

The Agency Agreement, the Guarantee, the Deed of Covenant, the N&C Securities, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Guarantee, the Deed of Covenant, the N&C Securities, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

The courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the N&C Securities, the Receipts and/or the Coupons (including any disputes relating to any non-contractual obligations arising out of or in connection with the N&C Securities, the Receipts and/or the Coupons).

The Issuer and, where applicable, the Guarantor, have in the Agency Agreement, the Guarantee and the Deed of Covenant agreed to the jurisdiction of the English courts.

## *General Conditions of the Warrants*

### GENERAL TERMS AND CONDITIONS OF THE WARRANTS

The following general terms and conditions (the "**Warrant Conditions**"), together with the Technical Annex(es) (if applicable), are the terms and conditions (collectively, the "**Conditions**") of the Warrants which will be incorporated by reference into each Global Warrant (as defined below). The applicable Final Terms in relation to any Tranche of Warrants will complete and supplement the Conditions in relation to each Tranche of Warrants and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Warrant Conditions, together with the Technical Annex(es) (if applicable), replace or modify the following Warrant Conditions for the purpose of such Warrants. The applicable Final Terms, (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Warrant. Reference should be made to "Form of the Securities" for a description of the content of the applicable Final Terms which will specify which of such terms are to apply in relation to the relevant Warrants. References in these Conditions to "**Final Terms**" shall mean a tranche of Warrants issued pursuant to this Prospectus.

This Warrant is one of a Series of Warrants issued by Abbey National Treasury Services plc (the "**Issuer**" which expression shall include any substitute pursuant to Warrant Condition 15 (Substitution) below) pursuant to a Warrant Agreement (as defined below). The Warrants of each Series are constituted by a global warrant (the "**Global Warrant**").

References herein to the "**Warrants**" shall be references to the Warrants of this Series and shall include any Global Warrant.

The Warrants have the benefit of a warrant agreement dated on or about 5 April 2012 (such Warrant Agreement as amended and/or supplemented and/or restated from time to time, the "**Warrant Agreement**") made between the Issuer, Santander UK plc (the "**Guarantor**") as guarantor, Citibank, N.A., London as principal warrant agent (the "**Principal Warrant Agent**", which expression shall include any additional or successor agent acting in such capacity), Citigroup Global Markets Deutschland AG as the German warrant agent (the "**German Warrant Agent**" which expression shall include any additional or successor agent acting in such capacity), and Banque Internationale à Luxembourg, *société anonyme* as Luxembourg warrant agent (the "**Luxembourg Warrant Agent**", which expression shall include any additional or successor agent acting in such capacity and, together with the Principal Warrant Agent and the German Warrant Agent, the "**Warrant Agents**"). The Principal Warrant Agent, the German Warrant Agent, the Luxembourg Warrant Agent and the Calculation Agent are together referred to as the "**Agents**".

References to "**Calculation Agent**" are to the entity specified as such in the applicable Final Terms or any successor in such capacity.

The Issuer's obligations in respect of this Warrant have been guaranteed by the Guarantor pursuant to a guarantee (the "**Guarantee**") dated 5 April 2012 and executed by the Guarantor. The original Guarantee is held by the Principal Warrant Agent at its specified office.

The final terms for this Warrant (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Warrant which supplement these General Terms and Conditions of the Warrants (the "**Warrants**", which term shall include one or more Technical Annex(es) in the form annexed hereto (each a "**Technical Annex**") if specified as applicable in such Final Terms) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify the Conditions for the purposes of this Warrant. References to the "**applicable Final Terms**" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Warrant and provisions relating to types of Warrants for which no Technical Annex exists shall be set out, if required, in the applicable Final Terms.

Any reference to "**Warrantholders**" or "**holders**" in relation to any Warrants shall mean the holders of the Warrants and shall, in relation to any Warrants represented by a Global Warrant, be construed as provided below.

As used herein, "**Tranche**" means Warrants which are identical in all respects (including as to listing and admission to trading) and "**Series**" means a Tranche of Warrants together with any further Tranche or Tranches of Warrants which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, and/or Issue Prices.

Copies of the Warrant Agreement (which contains the form of the Guarantee) are available for inspection during normal business hours at the specified office of each of the Warrant Agents. Copies of the applicable Final Terms are available for viewing during normal business hours at the specified office of each of the Warrant Agents and copies may be obtained from those offices save that,

## ***General Conditions of the Warrants***

if the Warrants are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Directive 2003/71/EC (the "**Prospectus Directive**"), the applicable Final Terms will only be obtainable by a Warrantholder holding one or more Warrants and such Warrantholder must produce evidence satisfactory to the Issuer and the relevant Warrant Agent as to its holding of such Warrants and identity. The Warrantholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Warrant Agreement, the Guarantee, and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Warrant Agreement.

Words and expressions defined in the Warrant Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Warrant Agreement and the applicable Final Terms, the applicable Final Terms shall prevail. In the case of any inconsistency between any Technical Annex(es) specified as applicable in the applicable Final Terms and other parts of these Conditions, the provisions of the applicable Technical Annex(es) shall prevail. In the case of any inconsistency between the applicable Final Terms and the Conditions, the applicable Final Terms shall prevail.

### **1. TYPE, TITLE AND TRANSFER**

#### **1.1 Type**

A Warrant may be designated in the applicable Final Terms as relating to a single currency or basket of currencies, a single equity index or basket of equity indices, a single share or basket of shares, a single debt security or basket of debt securities, a single commodity or basket of commodities, a single inflation index or basket of inflation indices, a single property index or basket of property indices, a single fund share or unit or basket of fund shares or units and other asset classes or types (the "**Relevant Asset**") and accordingly as a Currency Linked Warrant, an Equity Index Linked Warrant, an Equity Linked Warrant, a Commodity Linked Warrant, a Debt Linked Warrant, a Fund Linked Warrant, an Inflation Index Linked Warrant, a Property Index Linked Warrant or any other or further type of warrants including Warrants which relate to any combination of such Relevant Assets. Certain terms which will, unless otherwise varied in the applicable Final Terms, apply to Currency Linked Warrants, Equity Index Linked Warrants, Equity Linked Warrants, Fund Linked Warrants, Inflation Index Linked Warrants or Property Index Linked Warrants are set out in the relevant Technical Annex specified to be applicable in the applicable Final Terms.

The applicable Final Terms will indicate whether the Warrants are American style Warrants ("**American Style Warrants**"), European style Warrants ("**European Style Warrants**") or Bermudan style Warrants ("**Bermudan Style Warrants**") or such other type as may be specified in the applicable Final Terms, whether settlement shall be by way of cash payment ("**Cash Settled Warrants**") or physical delivery ("**Physical Delivery Warrants**"), whether the Warrants are call Warrants ("**Call Warrants**") or put Warrants ("**Put Warrants**"), or such other type as may be specified in the applicable Final Terms, and whether Averaging ("**Averaging**") will apply to the Warrants. Warrants must be exercised in Units and any Exercise Notice which purports to exercise Warrants in breach of this provision shall be void and of no effect. The number of Warrants per Unit shall be 1 Warrant per Unit. If Averaging is specified as applying in the applicable Final Terms the applicable Final Terms will state the relevant Averaging Dates and, if an Averaging Date is a Disrupted Day, whether Omission, Postponement or Modified Postponement (each as defined in the relevant Technical Annex) applies.

References in the Conditions, unless the context otherwise requires, to Cash Settled Warrants shall be deemed to include references to Physical Delivery Warrants, which include an option (as set out in the applicable Final Terms) at the Issuer's election to request cash settlement of such Warrant and where settlement is to be by way of cash payment, and references in the Conditions, unless the context otherwise requires, to Physical Delivery Warrants shall be deemed to include references to Cash Settled Warrants which include an option (as set out in the applicable Final Terms) at the Issuer's election to request physical delivery of the relevant underlying asset in settlement of such Warrant and where settlement is to be by way of physical delivery.

Warrants may allow holders to elect for settlement by way of cash payment or by way of physical delivery or by such other method of settlement as is specified in the applicable Final Terms. Those Warrants where the holder has elected for cash payment will be Cash Settled Warrants and those Warrants where the holder has elected for physical delivery will be

## ***General Conditions of the Warrants***

Physical Delivery Warrants. The rights of a holder as described in this paragraph may be subject to the Issuer's right to vary settlement as indicated in the applicable Final Terms.

### **1.2 Title to Warrants**

Each person who is for the time being shown in the records of Clearstream, Luxembourg or of Euroclear as the holder of a particular number of Warrants (in which regard any warrant or other document issued by Clearstream, Luxembourg or Euroclear as to the amount of Warrants 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 Guarantor and the Warrant Agents as the holder of such amount of Warrants for all purposes (and the expressions "**Warrantholder**" and "**holder of Warrants**" and related expressions shall be construed accordingly).

### **1.3 Transfers of Warrants**

All transactions (including transfers of Warrants) in the open market or otherwise must be effected through an account at Clearstream, Luxembourg or Euroclear subject to and in accordance with the rules and procedures for the time being of Clearstream, Luxembourg or of Euroclear, as the case may be. Title will pass upon registration of the transfer in the books of either Clearstream, Luxembourg or Euroclear, as the case may be. Transfers of Warrants may not be effected after the exercise of such Warrants pursuant to Warrant Condition 5 (Exercise Procedure).

The Warrants shall only be transferred in Clearstream, Luxembourg or Euroclear in Units, with each Unit representing 1 Warrant. The applicable Final Terms will also specify the Minimum Tradeable Size and, if applicable, the Multiple Tradeable Size expressed in Units. Any transfers may only be made in the Minimum Tradeable Size and the Multiple Tradeable Size in excess thereof specified in the applicable Final Terms.

Any reference herein to Clearstream, Luxembourg and/or Euroclear shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system, specified in the applicable Final Terms or as may otherwise be approved by the Issuer and Principal Warrant Agent, and notified to the Warrantholders in accordance with Warrant Condition 11 (Notices).

Transfers of Warrants may only be made, prior to expiry of the Distribution Compliance Period (as defined below), upon certification (in the form from time to time available from any Warrant Agent) to the Principal Warrant Agent by the transferor thereof that such transfer is being made to a non-U.S. person in an offshore transaction pursuant to Regulation S and, after the expiration of the Distribution Compliance Period, to a non-U.S. person in an offshore transaction pursuant to Regulation S but without such certification.

If the Principal Warrant Agent subsequently determines or is subsequently notified by the Issuer that (i) the Warrantholder was in breach, at the time given, of any representation or agreement given by such Warrantholder or (ii) a transfer or attempted transfer of any Warrants was consummated that did not comply with the transfer restrictions set forth in this Warrant Condition 1.3, the purported transfer shall be absolutely null and *void ab initio* and shall vest no rights in the purported transferee (such purported transferee, a "Disqualified Transferee") and the last preceding Warrantholder that was not a Disqualified Transferee shall be restored to all rights as a Warrantholder in such Warrants retroactively to the date of transfer of such Warrants by such Warrantholder. The Calculation Agent will make any adjustments to the Conditions as it determines appropriate to reflect any such event.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any successor operator and/or successor clearing system and/or any additional or alternative clearing system specified in the applicable Final Terms or otherwise approved by the Issuer, the Guarantor and the Warrant Agents (each a "**Clearance System**").

## **2. STATUS OF THE WARRANTS**

The Warrants are direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves and (subject to any applicable statutory provisions or judicial order) at least equally with all other present and future direct, unconditional, unsecured and unsubordinated obligations of the Issuer.

## *General Conditions of the Warrants*

### 3. STATUS OF THE GUARANTEE

The obligations of the Guarantor under the Guarantee are direct, unconditional, unsecured and unsubordinated obligations of the Guarantor and rank *pari passu* with all present and future direct, unconditional, unsecured and unsubordinated obligations (including those arising under deposits received in its banking business) of the Guarantor, without any preference among themselves and without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, except for obligations given priority by law.

Subject as provided below and in the Guarantee, the Guarantor has unconditionally and irrevocably:

- (a) guaranteed to each Warrantholder all obligations of the Issuer in respect of such Warrantholder's Warrants as and when such obligations become due; and
- (b) agreed that if and each time that the Issuer fails to satisfy any obligation under such Warrants as and when such obligation becomes due, the Guarantor will (without requiring the relevant Warrantholder first to take steps against the Issuer or any other person) make or cause to be made such payment or satisfy or cause to be satisfied such obligation punctually when and as the same shall become due and payable or due to be satisfied, as the case may be, as though the Guarantor were the principal obligor in respect of such obligation.

As more fully set forth in the Guarantee, the Guarantor shall at all times have the right, in its sole and unfettered discretion, to elect not to deliver or procure delivery of the Entitlement (as specified in the applicable Final Terms) to the holders of Physical Delivery Warrants when the same shall become due and deliverable, but in lieu thereof to make payment in respect of each Physical Delivery Warrant to the holder(s) of such Physical Delivery Warrant of an amount determined by the Guarantor in good faith and in a commercially reasonable manner to be equal to the fair market value of the assets to which the Entitlement in respect of the relevant Warrant relates less such Warrant's *pro rata* share of the costs of unwinding any underlying related hedging and/or funding arrangements of the Issuer and/or Guarantor (the "**Guaranteed Cash Settlement Amount**"). Any payment of the Guaranteed Cash Settlement Amount in lieu of the relevant Entitlement shall constitute a complete discharge of the Guarantor's obligations in respect of the relevant Warrants save as to any other cash amounts due in respect of such Warrants.

### 4. EXERCISE RIGHTS

#### 4.1 Exercise Period

##### (A) *American Style Warrants*

American Style Warrants are exercisable on any Exercise Business Day during the Exercise Period.

If Automatic Exercise is not specified as applying in the applicable Final Terms, any American Style Warrant with respect to which no Exercise Notice (as defined below) has been delivered in the manner set out in Warrant Condition 5 (Exercise Procedure), at or prior to 10.00 a.m., Luxembourg or Brussels time, as appropriate, on the Expiration Date, shall become void.

If Automatic Exercise is specified as applying in the applicable Final Terms, any American Style Warrant with respect to which no Exercise Notice (as defined below) has been delivered in the manner set out in Warrant Condition 5 (Exercise Procedure), at or prior to 10.00 a.m., Luxembourg or Brussels time, as the case may be, on the last Exercise Business Day of the Exercise Period (in respect of an American Style Warrant, the "**Expiration Date**") and which in the determination of the Calculation Agent is "In-The-Money", shall be exercised by the Principal Warrant Agent on behalf of the relevant Warrantholder on the Expiration Date. The expression "exercise", "due exercise" and related expressions shall be construed to apply to any American Style Warrants which Automatic Exercise applies in accordance with this provision.

With respect to an American Style Warrant, the "**Actual Exercise Date**" means (i) the Exercise Business Day during the Exercise Period on which an Exercise Notice is delivered prior to 10.00 a.m., Luxembourg or Brussels time (as appropriate), to Clearstream, Luxembourg or Euroclear, as the case may be, and the copy thereof so received by the Principal Warrant Agent or, (ii) if Automatic Exercise is specified as applying in the applicable Final Terms and there is no



## *General Conditions of the Warrants*

earlier Actual Exercise Date under (i) above and Automatic Exercise occurs on the Expiration Date in accordance with the preceding paragraph, the Expiration Date. If any Exercise Notice is received by Clearstream, Luxembourg or Euroclear, as the case may be, or if the copy thereof is received by the Principal Warrant Agent, in each case, after 10.00 a.m., Luxembourg or Brussels time (as appropriate), on any Exercise Business Day during the Exercise Period, such Exercise Notice will be deemed to have been delivered on the next Exercise Business Day, which Exercise Business Day shall be deemed to be the Actual Exercise Date, provided that any such Warrants in respect of which no Exercise Notice has been delivered in the manner set out in Warrant Condition 5 (Exercise Procedure) at or prior to 10.00 a.m. Luxembourg or Brussels time (as appropriate) on the Expiration Date shall (i) if Automatic Exercise is not specified as applying in the applicable Final Terms, become void, or (ii) if Automatic Exercise is specified as applying in the applicable Final Terms, be automatically exercised on the Expiration Date, subject as provided above.

### (B) *European Style Warrants*

European Style Warrants are only exercisable on the Exercise Date.

If Automatic Exercise is not specified as applying in the applicable Final Terms, any European Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Warrant Condition 5 (Exercise Procedure), at or prior to 10.00 a.m. (Luxembourg or Brussels time, as appropriate) on the Exercise Date or if such day is not an Exercise Business Day, the immediately following Exercise Business Day (in respect of a European Style Warrant, the "**Actual Exercise Date**" and the "**Expiration Date**"), shall become void.

If Automatic Exercise is specified as applying in the applicable Final Terms, any such European Style Warrant which in the determination of the Calculation Agent is "In-The-Money", shall be automatically exercised by the Principal Warrant Agent on behalf of the Warrantholders on the Actual Exercise Date and the provisions of Warrant Condition 5 (Exercise Procedure) shall apply. The expression "exercise", "due exercise" and related expressions shall be construed to apply to any European Style Warrants to which Automatic Exercise applies in accordance with this provision.

### (C) *Bermudan Style Warrants*

Bermudan Style Warrants are exercisable on each Exercise Date or if any Exercise Date is not an Exercise Business Day, the immediately following Exercise Business Day.

If Automatic Exercise is not specified as applying in the applicable Final Terms, any Bermudan Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Warrant Condition 5 (Exercise Procedure), at or prior to 10.00 a.m. (Luxembourg or Brussels time, as appropriate) on the last Exercise Date or if such day is not an Exercise Business Day, the immediately following Exercise Business Day (in respect of a Bermudan Style Warrant, the "**Expiration Date**"), shall become void.

If Automatic Exercise is specified as applying in the applicable Final Terms, any such Bermudan Style Warrant with respect to which no Exercise Notice (as defined below) has been delivered in the manner set out in Warrant Condition 5 (Exercise Procedure), at or prior to 10.00 a.m., Luxembourg or Brussels time, as the case may be, on the Expiration Date, and which in the determination of the Calculation Agent is "In-The-Money", shall be exercised by the Principal Warrant Agent on behalf of the relevant Warrantholder on the Expiration Date. The expression "exercise", "due exercise" and related expressions shall be construed to apply to any Bermudan Style Warrants to which Automatic Exercise applies in accordance with this provision.

With respect to a Bermudan Style Warrant, the "**Actual Exercise Date**" means (i) the Exercise Date, or if such Exercise Date is not an Exercise Business Day, the immediately following Exercise Business Day, on which an Exercise Notice is delivered prior to 10.00 a.m., Luxembourg or Brussels time (as appropriate), to Clearstream, Luxembourg or Euroclear, as the case may be, and the copy thereof so received by the Principal Warrant Agent or, (ii) if Automatic Exercise is specified as applying in the applicable Final Terms and there is no earlier Actual Exercise Date under (i) above and Automatic Exercise occurs on the Expiration Date in accordance with the preceding paragraph, the Expiration Date. If any Exercise Notice is received by Clearstream, Luxembourg or Euroclear, as the case may be, or if the copy thereof is received by the Principal Warrant Agent, in each case, after 10.00 a.m., Luxembourg or Brussels time (as appropriate), on any Exercise Date, or if such Exercise Date is not an Exercise Business Day, the immediately following Exercise Business Day, such

## ***General Conditions of the Warrants***

Exercise Notice will be deemed to have been delivered on the next Exercise Date (or if such Exercise Date is not an Exercise Business Day, the immediately following Exercise Business Day), which Exercise Date (or if such Exercise Date is not an Exercise Business Day, the immediately following Exercise Business Day) shall be deemed to be the Actual Exercise Date, provided that any such Warrant in respect of which no Exercise Notice has been delivered in the manner set out in Warrant Condition 5 (Exercise Procedure) at or prior to 10.00 a.m. Luxembourg or Brussels time (as appropriate) on the Expiration Date shall (i) if Automatic Exercise is not specified as applying in the applicable Final Terms, become void or (ii) Automatic Exercise is specified as applying in the applicable Final Terms, be automatically exercised on the Expiration Date, subject as provided above.

For the purposes of this Warrant Condition 4.1, **In-The-Money** means:

- (i) in the case of a Cash Settled Warrant, the Cash Settlement Amount in respect of such Cash Settlement Warrant is greater than zero; and
- (ii) in the case of a Physical Delivery Warrant, the Assessed Value Payment Amount for such Physical Delivery Warrant is greater than zero,

in each case in the determination of the Calculation Agent.

### **4.2 Cash Settlement**

#### **(A) Cash Settlement Amount**

If the Warrants are Cash Settled Warrants, unless otherwise specified in the Final Terms, each Unit entitles its holder, upon due exercise, to receive from the Issuer on the Settlement Date a Cash Settlement Amount calculated by the Calculation Agent (which shall not be less than zero) equal to:

- (i) where Averaging is not specified in the applicable Final Terms:
  - (a) if such Units represent Call Warrants,  
  
(Settlement Price less Exercise Price) multiplied by, in the case of Currency Linked Warrants only, the Unit Nominal Amount; and
  - (b) if such Units represent Put Warrants,  
  
(Exercise Price less Settlement Price) multiplied by, in the case of Currency Linked Warrants only, the Unit Nominal Amount.
- (ii) where Averaging is specified in the applicable Final Terms:
  - (a) if such Units represent Call Warrants,  
  
((i) the arithmetic mean of the Settlement Prices for all the Averaging Dates less (ii) Exercise Price) multiplied by, in the case of Currency Linked Warrants only, the Unit Nominal Amount; and
  - (b) if such Units represent Put Warrants,  
  
(i) Exercise Price less (ii) the arithmetic mean of the Settlement Prices for all the Averaging Dates) multiplied by, in the case of Currency Linked Warrants only, the Unit Nominal Amount.

Any amount determined pursuant to the above, if not an amount in the Specified Currency, will be converted into the Specified Currency at the Exchange Rate specified in the applicable Final Terms for the purposes of determining the Cash Settlement Amount.

## *General Conditions of the Warrants*

### (B) Rounding provisions

If "**Rounded Up**" is specified in the applicable Final Terms, Warrants exercised at the same time by the same Warrantholder will be aggregated for the purposes of determining the aggregate Cash Settlement Amount payable in respect of such Warrants, with the resultant amount rounded up to the nearest sub-unit.

If "**Rounded Down**" is specified in the applicable Final Terms, Warrants exercised at the same time by the same Warrantholder will be aggregated for the purposes of determining the aggregate Cash Settlement Amount payable in respect of such Warrants, with the resultant amount rounded down to the nearest sub-unit.

For this purpose, "**sub-unit**" means (i) for any non-euro denominated Warrants, the lowest amount of the Specified Currency that is available as legal tender in the country of such currency and (ii) for any euro denominated Warrants, one cent.

### 4.3 Physical Settlement

#### (A) Exercise Rights in relation to Physical Delivery Warrants

##### (1) Asset Transfer Notices

In relation to Physical Delivery Warrants, in order to obtain delivery of the Entitlement on the Settlement Date in respect of each Warrant upon due exercise and subject to payment of the relevant Exercise Price and any other sums payable, the relevant Warrantholder must deliver to Euroclear or Clearstream, Luxembourg (as applicable), with a copy to the Principal Warrant Agent and the Calculation Agent not later than the close of business in each place of reception on or prior to 10:00 a.m. Luxembourg or Brussels time (as appropriate) on the Expiration Date, a duly completed Asset Transfer Notice in the form set out in the Warrant Agreement, together, in the case of any Physical Delivery Warrants that are not specified in the applicable Final Terms to be Automatic Exercise, an Exercise Notice as specified in Warrant Condition 5.1(a).

Copies of the Asset Transfer Notice may be obtained during normal business hours from the specified office of the Principal Warrant Agent.

An Asset Transfer Notice may only be delivered in such manner as is acceptable to Euroclear or Clearstream, Luxembourg, as the case may be.

The Asset Transfer Notice shall:

- (i) specify the name, address and contact telephone number of the relevant Warrantholder and the person from whom the Issuer may obtain details for the delivery of the Entitlement;
- (ii) specify the number of Warrants and, if applicable, Units which are the subject of such notice and the number of the Warrantholder's account at Euroclear or Clearstream, Luxembourg, as the case may be, to be debited with such Warrants and irrevocably instruct and authorise Euroclear or Clearstream, as the case may be, to debit the relevant Warrantholder's account on or before the Settlement Date;
- (iii) include an undertaking to pay all Exercise Expenses (as defined in Warrant Condition 5.1(a)(v) below) and an authority to Euroclear or Clearstream, Luxembourg, as the case may be, to debit a specified account of the Warrantholder with Euroclear or Clearstream, Luxembourg, as the case may be, in respect thereof and to pay such Exercise Expenses;
- (iv) include such details as are required for delivery of the Entitlement which may include account details and/or the name and address of any person(s) into whose name evidence of the Entitlement is to be registered and/or any bank, broker or agent to whom documents evidencing the Entitlement are to be delivered and specify the name and number of the Warrantholder's account to be credited with any cash payable by the Issuer, either in respect of any cash amount constituting the Entitlement or any

## ***General Conditions of the Warrants***

dividends relating to the Entitlement or as a result of the occurrence of a Settlement Disruption Event and the Issuer electing to pay the Disruption Cash Settlement Price;

- (v) certify, *inter alia*, that the beneficial owner of each Warrant is not a U.S. person (as defined in the Asset Transfer Notice), the Warrant is not being exercised within the United States or on behalf of a U.S. person and no cash, securities or other property have been or will be delivered within the United States or to, or for the account or benefit of, a U.S. person in connection with any exercise thereof, and where appropriate, undertake to provide such various forms of certification in respect of restrictions under the securities, commodities, tax and other laws of the United States of America, as required by the Issuer or indicated and set out in the applicable Final Terms; and
- (vi) authorise the production of such certification in any applicable administrative or legal proceedings,

all as provided in the Warrant Agreement.

### (2) Verification of the Warrantholder

Upon receipt of an Asset Transfer Notice, Euroclear or Clearstream, Luxembourg, as the case may be, shall verify that the person delivering the Asset Transfer Notice is the holder of the Warrants described therein according to its records. Subject thereto, Euroclear or Clearstream, Luxembourg, as the case may be, will confirm to the Principal Warrant Agent the series number and number of Warrants which are the subject of such notice, the relevant account details and the details for the delivery of the Entitlement of each Warrant. Upon receipt of such confirmation, the Principal Warrant Agent will inform the Issuer thereof. Euroclear or Clearstream, Luxembourg as the case may be will on or before the Settlement Date debit the securities account of the relevant Warrantholder with the relevant Warrants.

### (3) Determinations

Any determination as to whether an Asset Transfer Notice is duly completed and in proper form shall be made by Euroclear or Clearstream, Luxembourg, as the case may be, in consultation with the Principal Warrant Agent, and shall be conclusive and binding on the Issuer, the Principal Warrant Agent(s) and the relevant Warrantholder. Subject as set out below, any Asset Transfer Notice so determined to be incomplete or not in proper form, or which is not copied to the Principal Warrant Agent immediately after being delivered or sent as provided in paragraph 11(A)(1) below, shall be null and void.

If such Asset Transfer Notice is subsequently corrected to the satisfaction of Euroclear or Clearstream, Luxembourg, as the case may be, in consultation with the Principal Warrant Agent, it shall be deemed to be a new Asset Transfer Notice submitted at the time such correction was delivered as provided above.

No Asset Transfer Notice may be withdrawn after receipt thereof by the relevant Clearance System or the Principal Warrant Agent, as the case may be, as provided above. After delivery of an Asset Transfer Notice, the relevant Warrantholder may not transfer the Warrants which are the subject of such notice.

### (4) Delivery

#### (a) Subject to:

- (i) an Asset Transfer Notice having been duly delivered as provided above on or prior to the Expiration Date together, in the case of any Physical Delivery Warrants that are not specified in the applicable Final Terms to be Automatic Exercise, an Exercise Notice having been duly delivered as specified in Warrant Condition 5.1(a); and
- (ii) all Exercise Expenses having been paid or otherwise accounted for to the satisfaction of the Issuer by the relevant Warrantholder,

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the Issuer shall, at the risk of the relevant Warrantholder, deliver or procure the delivery of the Entitlement for each Warrant, pursuant to the details specified in the Asset Transfer Notice or in such commercially reasonable manner as the Calculation Agent shall in its sole discretion determine and notify to the person designated by the Warrantholder in the relevant Asset Transfer Notice, on the applicable Settlement Date (such date, subject to adjustment in accordance with this Equity Linked Condition, the "**Settlement Date**"). Where the Asset Transfer Notice stipulates that the Entitlement should be delivered to a specified clearing system, the Issuer's or the Guarantor's obligation to deliver such Entitlement will be discharged by delivery to, or to the order of, the relevant clearing system and each of the persons shown in the records of the relevant clearing system as the account holder must look solely to the relevant clearing system for his share of any Entitlement so delivered.

- (b) If a Warrantholder fails to deliver an Asset Transfer Notice as provided herein with a copy to the Warrant Agent, on or prior to the Expiration Date, then:
  - (i) the Issuer may elect, in its sole discretion to deliver or procure the delivery of the aggregate Entitlements for all such affected Warrants, at the risk of the relevant Warrantholder, to, or to the order of, the relevant Clearance System(s) in which the Warrants are held (and this may be after the date fixed for cancellation) and its obligation to deliver any such Entitlement so delivered shall be discharged thereby. Each of the persons shown in the records of the relevant Clearance System as the holder of a particular amount of the Warrants must look solely to the relevant Clearance System for his share of each such Entitlement so delivered to, or to the order of, such Clearance System. For the purposes of paragraph (5) below, each Clearance System will be deemed to be a single Warrantholder and each Clearance System will be requested to divide and deliver such Entitlements in accordance with its rules; or
  - (ii) the Entitlement will be delivered as soon as practicable after the Settlement Date at the risk of such Warrantholder in the manner provided in paragraph (a) above. For the avoidance of doubt, in such circumstances such Warrantholder shall not be entitled to any payment as a result of such delivery falling after the Settlement Date and no liability in respect thereof shall attach to the Issuer.
- (c) To the extent that the Issuer is not satisfied that the Exercise Expenses have been or will be paid in full by the relevant Warrantholder on or prior to the relevant Settlement Date, the Issuer may, in its sole discretion, elect to reduce the Entitlement(s) to be delivered by an amount(s) which by market value (determined at the time of reduction by reference to such valuation sources as the Issuer determines appropriate) in aggregate is at least equal to the aggregate Exercise Expenses that it determines, in its sole discretion, have not been paid or otherwise accounted for (the Entitlement as so reduced, the "**Reduced Entitlement**"). Where the Issuer elects to make such a reduction, in accordance with this Warrant Condition 4.3(A)(4)(c), the Issuer's obligation to deliver the Entitlement(s) shall be discharged in full by delivery of the Reduced Entitlement in accordance with the provisions of this Warrant Condition 4.3(A)(4)(c). The provisions of paragraphs (5) and (6) of this Warrant Condition 4.3(A) and the provisions of Warrant Condition 4.3(B) shall apply *mutatis mutandis* to any such delivery of the Reduced Entitlement.

### (5) General

For the purpose of determining the Entitlements in respect of the Warrants, Warrants held by the same Warrantholder will be aggregated. The aggregate Entitlement(s) to be delivered in respect of each such aggregated holding will be rounded down to the nearest whole unit of the Relevant Asset (or, where there is more than one type of Relevant Asset, each of the Relevant Assets), as the case may be, in such manner as the Calculation Agent shall determine. Therefore, fractions of the Relevant Asset or of each of the Relevant Assets, as the case may be, will not be delivered but in lieu thereof the Issuer shall pay to the Warrantholders in respect of their respective holding an additional amount in the Specified Currency equal to the fair market value of such

## *General Conditions of the Warrants*

fraction(s) in such manner as shall be determined by the Calculation Agent in its sole and absolute discretion and notified to Warrantheholders in accordance with Warrant Condition 11 (Notices).

Following the Settlement Date of a Share or other Relevant Asset, all dividends on such Share or other distributions with respect to such other the Relevant Asset to be delivered will be payable to the party that would receive such dividend according to market practice for a sale of the Shares or other Relevant Asset executed on the Settlement Date and to be delivered in the same manner as such relevant Shares. Any such dividends to be paid to a Warrantheholder will be paid to the account specified by the Warrantheholder in the relevant Asset Transfer Notice or otherwise paid to the relevant Clearance System for the account of Warrantheholders.

For such period of time after delivery of the Entitlement as the Issuer or any person acting on behalf of the Issuer shall continue to be the legal owner of the securities comprising the Entitlement (the "**Intervening Period**"), none of the Issuer, the Warrant Agents or any other person shall at any time (i) be under any obligation to deliver or procure delivery to any Warrantheholder 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 Warrantheholder in respect of any loss or damage which such Warrantheholder 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 comprised in such Entitlement or otherwise as specified in the applicable Final Terms.

### (6) Settlement Disruption

If, in the opinion of the Calculation Agent, delivery of the Entitlement using the method of delivery specified in the applicable Final Terms or such commercially reasonable manner as the Calculation Agent has determined is not practicable by reason of a Settlement Disruption Event (as defined below) having occurred and continuing on the Settlement Date, then the Settlement Date shall be postponed to the first following Settlement Business Day in respect of which there is no such Settlement Disruption Event unless there is a Settlement Disruption Event on each of the ten (10) Settlement Business Days immediately following the original date that, but for such Settlement Disruption Event, would have been a valid Settlement Date. In that case, (a) if the Entitlement can be delivered in any other commercially reasonable manner, as determined by the Calculation Agent, the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant Warrant by delivering the Entitlement using such other commercially reasonable manner as it may select and in such event the Settlement Date shall be the first day on which settlement of a sale of Relevant Assets comprising the Entitlement executed on that tenth (10) Clearance System Business Day would customarily take place using such other commercially reasonable manner, and (b) if the Relevant Assets comprising the Entitlement cannot be delivered in any other commercially reasonable manner, then the Settlement Date will be postponed until delivery can be effected in the manner contemplated in the Asset Transfer Notice or in any other commercially reasonable manner, as determined by the Calculation Agent. For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Relevant Assets comprising the Entitlement, the Settlement Date for the Relevant Assets not affected by the Settlement Disruption Event will be the originally designated Settlement Date. For so long as delivery of the Entitlement 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 Warrant by payment to the relevant Warrantheholder of the Disruption Cash Settlement Price (as defined below) on the fifth (5th) Business Day following the date that notice of such election is given to the Warrantheholders in accordance with Warrant Condition 11 (Notices). Payment of the Disruption Cash Settlement Price will be made in such manner as shall be notified to the Warrantheholders in accordance with Warrant Condition 11 (Notices). The Calculation Agent shall give notice as soon as practicable to the Warrantheholders in accordance with Warrant Condition 11 (Notices) that a Settlement Disruption Event has occurred. No Warrantheholder shall be entitled to any payment in respect of the relevant Warrant in the event of any delay in the delivery of the Entitlement due to the occurrence of a Settlement Disruption Event and no liability in respect thereof shall attach to the Issuer.

## *General Conditions of the Warrants*

### (B) Definitions specific to Physical Delivery

"**Asset Transfer Notice**" shall mean the notice in the form set out in the Warrant Agreement.

"**Disruption Cash Settlement Price**", in respect of any relevant Warrant, shall be the fair market value of such Warrant expressed in the Specified Currency (taking into account any relevant currency exchange rate and, where the Settlement Disruption Event affected some but not all of the Relevant Assets comprising the Entitlement and such non-affected Relevant Assets have been duly delivered as provided above, the value of such Relevant Asset), all as determined by the Calculation Agent in its sole and absolute discretion.

"**Expiration Date**" has the meaning specified in the applicable Final Terms.

"**Settlement Business Day**" has the meaning specified in the applicable Final Terms.

"**Settlement Disruption Event**" means, in the opinion of the Calculation Agent, an event beyond the control of the Issuer as a result of which the Issuer or the Guarantor, as the case may be, cannot make delivery of the Relevant Assets using the method specified in the applicable Final Terms.

### 4.4 Issuer's Option to Vary Settlement

If the applicable Final Terms indicates that the Issuer has an option to vary settlement in respect of the Warrants, upon a valid exercise of a Warrant in accordance with the Conditions, the Issuer may at its sole and unfettered discretion in respect of such Warrant, elect not to pay the relevant Warrantheolders the Cash Settlement Amount or to deliver or procure delivery of the Entitlement to the relevant Warrantheolders, as the case may be, but, in lieu thereof to deliver or procure delivery of the Entitlement or make payment of the Cash Settlement Amount on the Settlement Date to the relevant Warrantheolders, as the case may be. Notification of such election will be given to Warrantheolders no later than 10.00 a.m. (London time) on the second Business Day following the Actual Exercise Date.

### 4.5 General

In relation to any Warrants where Automatic Exercise is specified as applying in the applicable Final Terms, the expressions "exercise", "due exercise" and related expressions shall be construed to apply to any such Warrants which are automatically exercised in accordance with the above provisions.

None of the Issuer, the Guarantor, the Calculation Agent and the Warrant Agents shall have any responsibility for any errors or omissions in the calculation of any Cash Settlement Amount or of any Entitlement.

The purchase of Warrants does not confer on any holder of such Warrants any rights (whether in respect of voting, distributions or otherwise) attaching to any Relevant Asset.

All references in this Condition to "**Luxembourg or Brussels time**" shall, where Warrants are cleared through an additional or alternative clearing system, be deemed to refer as appropriate to the time in the city where the relevant clearing system is located.

### 4.6 Business Day Convention

If the date for payment of any amount due in respect of any Warrant is not a Business Day, the Warrantheolder shall not be entitled to payment until:

- (a) if "**Following**" is specified in the applicable Final Terms, the next following Business Day; or
- (b) if "**Modified Following**" is specified in the applicable Final Terms, the next following Business Day unless that day falls in the next calendar month, in which case the first preceding day that is a Business Day,

## *General Conditions of the Warrants*

in each case with payment being made in the relevant place and the Warrantholder shall not be entitled to any further payment in respect of such delay. If no Business Day Convention is specified in the applicable Final Terms the "Following" Business Day Convention will apply to the Warrants.

### **4.7 Definitions**

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

**"Business Day"** means (i) a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the relevant Business Day Centre(s) and Clearstream, Luxembourg and Euroclear are open for business and (ii) for the purposes of making payments in euro, any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (or any successor thereto) is open (the **"TARGET2 System"**).

**"Cash Settlement Amount"** means, in relation to each Cash Settled Warrant, the aggregate amount to which the Warrantholder is entitled in the Specified Currency in relation to such Cash Settled Warrant. The Cash Settlement Amount shall be rounded to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards if "Rounded Up" is specified in the applicable Final Terms or (b) rounded downwards if "Rounded Down" is specified in the applicable Final Terms, in each case as provided in Warrant Condition 4.2 (Cash Settlement).

**"Distribution Compliance Period"** means either the period expiring (i) 40 days after completion of the distribution of the relevant Warrants or (ii) such longer period as may be specified in the applicable Final Terms.

**"Entitlement"** means, in relation to a Physical Delivery Warrant, the aggregate quantity of the Relevant Asset or the Relevant Assets, as the case may be, which a Warrantholder is entitled to receive on the Settlement Date in relation to such Physical Delivery Warrant. The Entitlement shall be rounded down as provided in Warrant Condition 4.3(A), as determined by the Calculation Agent including any documents evidencing such Entitlement.

**"Exercise Business Day"** means:

- (a) in the case of Cash Settled Warrants, a day that is a Business Day; and
- (b) in the case of Physical Delivery Warrants, a day that is a Business Day and a Scheduled Trading Day.

**"Exercise Date"** is as specified in the applicable Final Terms, provided that, if such date is not an Exercise Business Day the Exercise Date shall be the immediately succeeding Exercise Business Day.

**"Exercise Price"** is as specified in the applicable Final Terms.

**"Minimal Tradeable Amount"** is as specified in the applicable Final Terms and in Warrant Condition 1.3.

**"Multiple Tradeable Amount"** is as specified in the applicable Final Terms and in Warrant Condition 1.3.

**"Relevant Asset"** is as specified in the applicable Final Terms.

**"Scheduled Trading Day"** is as defined in the applicable Technical Annex.

**"Settlement Date"** means:

- (a) in relation to Cash Settled Warrants, (i) where Averaging is not specified in the applicable Final Terms, the fifth Business Day following the Valuation Date, or (ii) where Averaging is specified in the applicable Final Terms, the fifth Business Day following the last occurring Averaging Date, in such case, subject to adjustment in accordance with the applicable Technical Annex, (iii) or, if different, the date specified as such in the applicable Final Terms; or
- (b) in relation to Physical Delivery Warrants, the date specified as such in the applicable Final Terms.



## ***General Conditions of the Warrants***

"**Settlement Price**" means, in relation to each Cash Settled Warrant:

- (a) in respect of Equity Index Linked Warrants, subject to the Equity Index Linked Conditions, (i) in the case of Equity Index Linked Warrants relating to a basket of Indices, an amount, (which shall be deemed to be a monetary value on the same basis as the Exercise Price) equal to the sum of the product of (x) the Index Level in respect of each Index specified in the applicable Final Terms on the Valuation Date or Averaging Date, as the case may be, and (y) the relevant Multiplier, or (ii) in the case of Equity Index Linked Warrants relating to a single Index, an amount (which shall be deemed to be a monetary value on the same basis as the Exercise Price) equal to the Index Level in respect of the Index specified in the applicable Final Terms;
- (b) in respect of Equity Linked Warrants, subject to the Equity Linked Conditions, (i) in the case of Equity Linked Warrants relating to a basket of Shares, an amount equal to the sum of the product of (x) the Settlement Price in respect of each Share specified in the applicable Final Terms on the Valuation Date or Averaging Date, as the case may be, and (y) the relevant Multiplier or (ii) in the case of Equity Linked Warrants relating to a single Share, the Settlement Price in respect of the Share specified in the applicable Final Terms;
- (c) in respect of Currency Linked Warrants, subject to the Currency Linked Conditions, (i) in the case of Currency Linked Warrants relating to a basket of reference rates, an amount equal to the sum of the product of (x) each Specified Rate specified in the applicable Final Terms on the Valuation Date or Averaging Date, as the case may be, and (y) the relevant Multiplier or (ii) in the case of Currency Linked Warrants relating to a single Specified Rate, the Specified Rate specified in the applicable Final Terms; and
- (d) in respect of any other Warrants, as specified in the applicable Final Terms.

"**Unit Nominal Amount**" is as specified in the applicable Final Terms.

## **5. EXERCISE PROCEDURE**

### **5.1 Exercise Notice**

Other than in the case of Automatic Exercise, Warrants may only be exercised by the delivery, (which may include the sending by fax), of a duly completed exercise notice (an "**Exercise Notice**") in the form set out in the Warrant Agreement (copies of which form may be obtained from Clearstream, Luxembourg, Euroclear and the Warrant Agents during normal office hours) to Clearstream, Luxembourg or Euroclear, as the case may be, with a copy to the Principal Warrant Agent in accordance with the provisions set out in Warrant Condition 4.1 (Exercise Period) and this Warrant Condition.

- (a) In the case of Cash Settled Warrants, the Exercise Notice shall:
  - (i) specify the series number of Units and the corresponding amount of Warrants being exercised;
  - (ii) specify the number of the Warrantholder's securities account at Clearstream, Luxembourg or Euroclear, as the case may be, to be debited with the number of Units representing the Warrants being exercised;
  - (iii) irrevocably instruct Clearstream, Luxembourg or Euroclear, as the case may be, to debit on or before the Settlement Date the Warrantholder's securities account with the number of Units representing the Warrants being exercised;
  - (iv) specify the number of the Warrantholder's account at Clearstream, Luxembourg or Euroclear, as the case may be, to be credited with the Cash Settlement Amount (if any) for the number of Units representing the Warrant being exercised;
  - (v) include an undertaking to pay all costs, taxes, duties and/or expenses, including any applicable depository charges, transaction or exercise charges, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or other costs, taxes or duties which the Calculation Agent determines may be or would be, or would have been incurred (A) in connection with (I) the exercise of

## ***General Conditions of the Warrants***

such Warrants and, (II) in the case of Physical Delivery Warrants, the delivery of the Entitlement relating to such Warrants and (B) by the Issuer or any Affiliate had such entity unwound or varied any underlying related hedging arrangements in respect of the Warrants ("**Exercise Expenses**") and an authority to Clearstream, Luxembourg or Euroclear to deduct an amount in respect thereof from any Cash Settlement Amount due to such Warrantholder and/or to debit a specified account of the Warrantholder at Clearstream, Luxembourg or Euroclear, as the case may be, in respect thereof and to pay such Exercise Expenses;

(vi) certify, inter alia, that the beneficial owner of each Warrant being exercised is not a US person (as defined in the Exercise Notice), the Warrant is not being exercised within the United States or on behalf of a US person and no cash has been or will be delivered within the United States or to, or for the account or benefit of, a US person in connection with any exercise thereof, and where appropriate, undertake to provide such various forms of certification in respect of restrictions under the securities, commodities, tax and other laws of the United States of America, as required by the Issuer or indicated and set out in the applicable Final Terms; and

(vii) authorise the production of such certification in any applicable administrative or legal proceedings,

all as provided in the Warrant Agreement.

(b) In the case of Physical Delivery Warrants, the Exercise Notice shall specify the series number of the Warrants and the number of Warrants being exercised by the Warrantholder and be accompanied by a duly completed Asset Transfer Notice as provided in Warrant Condition 4.3(A)(1).

(c) If Warrant Condition 4.4 (*Issuer's Option to Vary Settlement*) applies, the form of Exercise Notice required to be delivered will be different from that described above. Copies of such Exercise Notice may be obtained from the Principal Warrant Agent during normal office hours.

### **5.2 Verification of the Warrantholder**

Upon receipt of an Exercise Notice, Clearstream, Luxembourg or Euroclear, as the case may be, shall verify that the person exercising the Warrants is the holder thereof according to the books of Clearstream, Luxembourg or Euroclear, as the case may be. Subject thereto, Clearstream, Luxembourg or Euroclear, as the case may be, will confirm to the Principal Warrant Agent the series number and number Units representing the Warrants being exercised and the account details, if applicable, for the payment of the Cash Settlement Amount or, as the case may be, the details for the delivery of the Entitlement of each Unit being exercised. Upon receipt of such confirmation, the Principal Warrant Agent will inform the Issuer thereof. Clearstream, Luxembourg or Euroclear, as the case may be, will on or before the Settlement Date debit the account of the relevant Warrantholder with the Warrants being exercised. If the Warrants are American Style Warrants or Bermudan Style Warrants, upon exercise of less than all the Warrants constituted by the Global Warrant, the Common Depositary will, on the instructions of, and on behalf of, the Principal Warrant Agent, note such exercise on the Schedule to the Global Warrant and the number of Warrants so constituted shall be reduced by the cancellation *pro tanto* of the Warrants so exercised.

### **5.3 Settlement**

#### **(A) Cash Settled Warrants**

The Issuer shall on the Settlement Date pay or cause to be paid the Cash Settlement Amount (if any) for each duly exercised Warrant:

(i) to the Warrantholder's account specified in the relevant Exercise Notice, or

(ii) where no Exercise Notice is received, Automatic Exercise is specified as applying in the applicable Final Terms and Automatic Exercise has occurred in respect of the Warrants to the Warrantholder's account with Clearstream, Luxembourg or Euroclear, as applicable, in accordance with the rules of Clearstream, Luxembourg or Euroclear,

## ***General Conditions of the Warrants***

in each case, for value on the Settlement Date less any Exercise Expenses.

### **(B) Physical Delivery Warrants.**

Subject to payment of the aggregate Exercise Prices and compliance with the provisions of Warrant Condition 4.3(A) with respect to Physical Delivery Warrants, with regard to each of the relevant Warrants, the Issuer shall on the Settlement Date deliver, or procure the delivery of, the Entitlement for each duly exercised Warrant pursuant to the details specified in the relevant Asset Transfer Notice. Subject as provided in Warrant Condition 4.3(A), the Entitlement shall be delivered and evidenced in such manner as set out in the applicable Final Terms.

### **5.4 Determinations**

Any determination as to whether an Exercise Notice is duly completed and in proper form shall be made by Clearstream, Luxembourg or Euroclear, as the case may be, in consultation with the Principal Warrant Agent, and shall be conclusive and binding on the Issuer, the Warrant Agents and the relevant Warrantholder. Subject as set out below, any Exercise Notice so determined to be incomplete or not in proper form, or which is not copied to the Principal Warrant Agent immediately after being delivered or sent to Clearstream, Luxembourg or Euroclear, as the case may be, as provided in Warrant Condition 5.1 above, shall be null and void.

If such Exercise Notice is subsequently corrected to the satisfaction of Clearstream, Luxembourg or Euroclear, as the case may be, in consultation with the Principal Warrant Agent, it shall be deemed to be a new Exercise Notice submitted at the time such correction was delivered to Clearstream, Luxembourg or Euroclear, as the case may be, and the Principal Warrant Agent.

**If Automatic Exercise is not specified as applying in the applicable Final Terms, any Warrant with respect to which the Exercise Notice and, if applicable, the Asset Transfer Notice have not been duly completed and delivered in the manner set out above by the cut-off time specified in Warrant Conditions 4.1(A), 4.1(B) and 4.1(C), in respect of American Style Warrants, European Style Warrants and Bermudan Style Warrants respectively, shall become void.**

Clearstream, Luxembourg or Euroclear, as the case may be, shall use its best efforts promptly to notify the Warrantholder submitting an Exercise Notice and/or Asset Transfer Notice, as applicable, if, in consultation with the Principal Warrant Agent, it has determined that either such Exercise Notice or Asset Transfer Notice, as applicable, is incomplete or not in proper form. In the absence of negligence or wilful misconduct on its part, none of the Issuer, the Guarantor, the Warrant Agents, Clearstream, Luxembourg or Euroclear shall be liable to any person with respect to any action taken or omitted to be taken by it in connection with such determination or the notification of such determination to a Warrantholder.

### **5.5 Delivery of an Exercise Notice**

Delivery of an Exercise Notice shall constitute an irrevocable election by the relevant Warrantholder to exercise the number of Warrants specified therein. After the delivery of such Exercise Notice, such exercising Warrantholder may not transfer such Warrants.

### **5.6 Automatic Exercise**

If Automatic Exercise is specified as applying in the applicable Final Terms and if no Exercise Notice or Asset Transfer Notice, as applicable, is delivered in respect of the relevant Warrants, where the Warrants are, in the determination of the Calculation Agent, "In-The-Money", such Warrants shall be automatically exercised.

### **5.7 Exercise Risk**

Exercise of the Warrants is subject to all applicable laws, regulations and practices in force on the relevant Exercise Date and none of the Issuer, the Guarantor and the Warrant Agents shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations or practices. None of

## *General Conditions of the Warrants*

the Issuer, the Guarantor and the Warrant Agents shall under any circumstances be liable for any acts or defaults of Clearstream, Luxembourg or Euroclear in relation to the performance of its duties in relation to the Warrants.

### **5.8 Minimum and Maximum Number of Warrants Exercisable**

#### **(A) American Style Warrants**

This paragraph (A) applies only to American Style Warrants.

- (i) The number of Warrants exercisable by any Warrantholder on any Actual Exercise Date or, in the case of Automatic Exercise, the number of Warrants held by any Warrantholder and exercised by Automatic Exercise on the Expiration Date, in each case, as determined by the Issuer, must not be less than the Minimum Exercise Number specified in the applicable Final Terms and, if specified in the applicable Final Terms, if a number greater than the Minimum Exercise Number, must be an integral multiple of the number specified in the applicable Final Terms. Any Exercise Notice which purports to exercise Warrants in breach of this provision shall be void and of no effect.
- (ii) If the Issuer determines that the number of Warrants being exercised on any Actual Exercise Date by any Warrantholder or a group of Warranholders (whether or not acting in concert) exceeds the Maximum Exercise Number (a number equal to the Maximum Exercise Number being the "**Quota**"), the Issuer may deem the Actual Exercise Date for the first Quota of such Warrants, selected at the discretion of the Issuer, to be such day and the Actual Exercise Date for each additional Quota of such Warrants (and any remaining number thereof) to be each of the succeeding Exercise Business Days until all such Warrants have been attributed with an Actual Exercise Date, provided, however, that the deemed Actual Exercise Date for any such Warrants which would thereby fall after the Expiration Date shall fall on the Expiration Date. In any case where more than the Quota of Warrants are exercised on the same day by Warrantholder(s), the order of settlement in respect of such Warrants shall be at the sole discretion of the Issuer.

#### **(B) European Style Warrants**

This paragraph (B) applies only to European Style Warrants.

The number of Warrants exercisable by or on behalf of any Warrantholder on the Exercise Date, as determined by the Issuer, must be equal to the Minimum Exercise Number specified in the applicable Final Terms and, if specified in the applicable Final Terms, if a number greater than the Minimum Exercise Number, must be an integral multiple of the number specified in the applicable Final Terms. Any Exercise Notice which purports to exercise Warrants in breach of this provision shall be void and of no effect.

#### **(C) Bermudan Style Warrants**

This paragraph (C) applies only to Bermudan Style Warrants.

- (i) The number of Warrants exercisable by any Warrantholder on any Actual Exercise Date or, in the case of Automatic Exercise, the number of Warrants held by any Warrantholder and exercised by Automatic Exercise on the Expiration Date, in each case, as determined by the Issuer, must not be less than the Minimum Exercise Number specified in the applicable Final Terms and, if specified in the applicable Final Terms, if a number greater than the Minimum Exercise Number, must be an integral multiple of the number specified in the applicable Final Terms. Any Exercise Notice which purports to exercise Warrants in breach of this provision shall be void and of no effect.
- (ii) If the Issuer determines that the number of Warrants being exercised on any Actual Exercise Date by any Warrantholder or a group of Warranholders (whether or not acting in concert) exceeds the Maximum Exercise Number (a number equal to the Maximum Exercise Number being the "**Quota**"), the Issuer may deem the Actual Exercise Date for the first Quota of such Warrants, selected at the discretion of the Issuer, to be such day and the Actual Exercise Date for each additional Quota of such Warrants (and any remaining number thereof) to be each

## ***General Conditions of the Warrants***

of the succeeding Exercise Date until all such Warrants have been attributed with an Actual Exercise Date, provided, however, that the deemed Actual Exercise Date for any such Warrants which would thereby fall after the Expiration Date shall fall on the Expiration Date. In any case where more than the Quota of Warrants are exercised on the same day by Warrantholder(s), the order of settlement in respect of such Warrants shall be at the sole discretion of the Issuer.

### **6. EARLY CANCELLATION**

#### **6.1 Cancellation for Illegality**

In the event that the Calculation Agent determines that the performance of the obligations of the Issuer under the Warrants or the obligations of the Guarantor under the Guarantee, or any arrangements made to hedge the Issuer's obligations under the Warrants, has or will become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any applicable present or future law, rule, regulation, judgement, order or directive of any governmental, administrative, legislative or judicial authority or power, or the interpretation thereof, the Issuer may, having given not less than 10 nor more than 30 calendar days' notice to the Warrantholders in accordance with Warrant Condition 11 (Notices) (which notice shall be irrevocable), on the expiry of such notice cancel all, but not some only, of the Warrants, each Warrant being cancelled at the Early Cancellation Amount.

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

#### **6.2 Regulatory Cancellation Event**

In the event that the Calculation Agent determines that a change in applicable law or regulation has occurred which results, or will result, solely by reason of the Warrants being outstanding, in the Issuer being required to be regulated by any additional jurisdiction or regulatory authority, or being subject to any additional legal requirement or regulation considered by the Issuer to be materially onerous to it, the Issuer having given not less than 10 nor more than 30 calendar days' notice to the Warrantholders in accordance with Warrant Condition 11 (Notices) (which notice shall be irrevocable) may, on the expiry of such notice cancel all, but not some only, of the Warrants, each Warrant being cancelled at the Early Cancellation Amount referred to in Warrant Condition 6.3 below. Payment shall be made in such manner as shall be notified to Warrantholders in accordance with Warrant Condition 11 (Notices).

#### **6.3 Force Majeure or act of State**

In the event that the Calculation Agent determines that by reason of a Force Majeure Event occurring after the Issue Date it becomes impossible or impracticable for the Issuer, the Guarantor or the Calculation Agent to perform in whole or in part its obligations under the Warrants and/or any related hedging arrangements, the Issuer may, having given not less than 10 nor more than 30 calendar days' notice to the Warrantholders in accordance with Warrant Condition 11 (Notices) (which notice shall be irrevocable), on the expiry of such notice cancel all, but not some only, of the Warrants, each Warrant being cancelled at the Early Cancellation Amount. Payment shall be made in such manner as shall be notified to Warrantholders in accordance with Warrant Condition 11 (Notices).

As used herein:

"**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 or person or, if the Calculation Agent determines appropriate, the power to direct or cause the direction of the management and policies of the First Entity, whether by contract, or otherwise.

"**Associated Costs**" means, in respect of a Warrant, an amount equal to such Warrant's *pro rata* share of the total amount of any and all costs or expenses associated or incurred by the Issuer, any Affiliate and/or Hedging Party (as applicable) in connection with such early cancellation, including, without limitation, any costs associated with unwinding the funding

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relating to the Warrants and any costs associated with unwinding any hedge positions relating to the Warrant, all as determined by the Calculation Agent in its discretion.

**"Early Cancellation Amount"** means, in respect of a Warrant, the fair market value of such Warrant plus any Exercise Price paid in respect of such Warrant, less any Associated Costs, as determined by the Calculation Agent in its discretion.

**"Force Majeure Event"** means an event or circumstance which prevents in whole or in part the performance by the Issuer, the Guarantor and/or the Calculation Agent of its obligations under the Warrants and/or related hedging arrangements including, without limitation a system failure, fire, natural or man-made disaster, act of God, act of State, armed conflict, act of terrorism, riot or labour disruption.

**"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 Warrants from time to time.

### **6.4 Early Cancellation at the Option of the Issuer**

If Issuer Early Cancellation is specified in the applicable Final Terms, the Issuer may, subject to, and in accordance with, the terms specified in the applicable Final Terms, having given:

- (a) not less than 15 nor more than 30 calendar days' notice to the Warrantholders in accordance with Warrant Condition 11 (Notices); and
- (b) not less than 15 calendar days before the giving of the notice referred to in (a) above, notice to the Principal Warrant Agent,

(which notices shall be irrevocable and shall specify the date fixed for cancellation), cancel all of the Warrants then outstanding on any Issuer Early Cancellation Date and at the Issuer Early Cancellation Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms.

### **6.5 Early cancellation for tax reasons**

The Issuer may cancel all, but not some only, of the Warrants at any time, on giving not less than 10 nor more than 30 calendar days' notice to the Principal Warrant Agent and, in accordance with Warrant Condition 11 (Notices), the Warrantholders (which notice shall be irrevocable), if:

- (a) in respect of any future payment by the Issuer which may arise in respect of the Warrants, the Issuer has or will become obliged to account for any tax, duty, withholding or other payment as provided or referred to in Warrant Condition 9 (Expenses and Taxation) (including, for the avoidance of doubt, any withholding tax imposed under FATCA ("**FATCA Withholding Tax**")) or the Guarantor, if making payment itself would be or would become obliged to account for any tax, duty, withholding or other payment as provided or referred to in Warrant Condition 9 (Expenses and Taxation) (including, for the avoidance of doubt, any FATCA Withholding Tax); and
- (b) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it. Reasonable measures shall not include anything which has any material impact on the business of the Issuer or the Guarantor, as the case may be, or which would cause the Issuer or the Guarantor, as the case may be, to incur any material costs, and

provided that no such notice of cancellation shall be given earlier than 30 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to account for such tax, duty, withholding or other payment were a payment in respect of the Warrants then due.

Warrants cancelled pursuant to this Condition will be cancelled at their Early Cancellation Amount referred to in Warrant Condition 6.3 above. Payment shall be made in such manner as shall be notified to Warrantholders in accordance with Warrant Condition 11 (Notices).

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### **7. EVENTS OF DEFAULT**

7.1 If (a) any of the following events shall occur and be continuing and (b) holders of at least twenty-five per cent. (25%) (by number) of the Warrants then outstanding so request the Issuer by notice in relation to the same event given in accordance with Warrant Condition 11 (Notices), then upon the date of such notice requirement in (b) above being satisfied or, in the case of an event as described in (ii) above, on expiry of the relevant time period specified therein, the relevant event shall be treated as an "**Event of Default**" and unless (in the case of (i) or (ii) above) the relevant default(s) or failure(s) shall have been cured by the Issuer or the Guarantor prior to receipt of such written notice, all but not some only of the Warrants shall be cancelled at an amount in respect of each Warrant equal to the fair market value of a Warrant, calculated without regard to the creditworthiness of the Issuer or the Guarantor at such time, less any Associated Costs all as determined by the Calculation Agent in its discretion. For the purposes of (a) above, the relevant events are:

- (i) default is made for a period of 30 days or more in the payment of any cash settlement or delivery of any Entitlement due in respect of the Warrants or any of them. The Issuer and Guarantor shall not, however, be in default if such sums were not paid or such Entitlement was not delivered in order to comply with a mandatory law, regulation or order of any court of competent jurisdiction. Where there is doubt as to the validity or applicability of any such law, regulation or order, the Issuer or, as the case may be, the Guarantor will not be in default if it acts on the advice given to it during such 30 day period by an independent legal adviser; or
- (ii) the Issuer or the Guarantor fails to perform or observe any of its other obligations under the Warrants, the Guarantee or the Warrant Agreement (as the case may be) and such failure continues for the period of 60 days next following the notice requirement as described in (b) above being satisfied; or
- (iii) an effective resolution is passed or an order is made for the winding-up or dissolution of the Issuer or the Guarantor (except for the purposes of a reconstruction or amalgamation where the entity resulting from such reconstruction or amalgamation assumes all the rights and obligations of, as the case may be, the Issuer (including its obligations under the Warrants) or the Guarantor (including its obligations under the Guarantee)).

7.2 Any default by the Issuer or the Guarantor, other than the events described in Warrant Condition 7.1(i), may be waived by the written consent of holders of a majority (by number) of the Warrants then outstanding affected thereby, or by resolution adopted by a majority (by number) of such Warrants then outstanding present or represented at a meeting of holders of the Warrants affected thereby at which a quorum is present, as provided in the Warrant Agreement.

### **8. PURCHASES**

The Issuer, the Guarantor or any of their respective Affiliates (as defined above) may, but is not obliged to, at any time purchase Warrants at any price in the open market or otherwise, in accordance with applicable laws and regulations. Such Warrants may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered for cancellation.

### **9. EXPENSES, TAXATION AND PROVISION OF INFORMATION**

9.1 A holder of Warrants must pay all Exercise Expenses relating to such Warrants as provided above.

9.2 Neither the Issuer nor the Guarantor shall 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, exercise or enforcement of any Warrant and/or, if applicable, the delivery or transfer of the Entitlement relating to such Warrant, and all payments made by the Issuer or Guarantor shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

9.3 Notwithstanding any other provision in the Conditions, the Issuer or, as the case may be, the Guarantor or the relevant Paying Agent shall be permitted to withhold or deduct any amounts required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof ("**FATCA**").

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### **10. AGENTS**

#### **10.1 Warrant Agents**

Each of the Issuer and the Guarantor reserves the right to vary or terminate the appointment of any Warrant Agent and/or approve any change in the specified office through which any Warrant Agent acts and/or appoint additional or other Warrant Agents, provided that:

- (A) there will at all times be a Principal Warrant Agent; and
- (B) so long as the Warrants are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Warrant Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

Any variation, termination, appointment or change in relation to any Series of Warrants 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 Warrantholders of the relevant Series of Warrants in accordance with Warrant Condition 11 (Notices).

In acting under the Warrant Agreement, the Agents act solely as agents of the Issuer and the Guarantor, and do not assume any obligation to, or relationship of agency or trust with, any Warrantholders. The Warrant Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor Agent.

#### **10.2 Calculation Agent**

In relation to each issue of Warrants, the Calculation Agent acts solely as agent of the Issuer and the Guarantor and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Warrantholders. All calculations and determinations made in respect of the Warrants by the Calculation Agent under the Conditions shall (save in the case of manifest error) be final, conclusive and binding on the Issuer, the Guarantor and the Warrantholders.

In exercising its discretion under the Conditions, the Calculation Agent shall act in good faith and in a commercially reasonable manner. The exercise of the Calculation Agent's discretion under the Conditions are necessary because certain circumstances or events (e.g. a material modification or disruption to the underlying asset or reference basis to which the Warrants are linked) may occur subsequent to the issuance of the Warrants or the time at which hedging arrangements are made which may materially affect the costs to the Issuer and/or a Hedging Party of maintaining the relevant Warrants or relevant hedging arrangements. Such circumstances or events may not have been reflected in the pricing of the Warrants. In addition, as a result of certain circumstances or events (e.g. price unavailability or material disruption to any reference source) it may no longer be reasonably practicable or otherwise appropriate for certain valuations in respect of the underlying asset or otherwise reference basis to be made in connection with the Warrants, and thus making it necessary for the Calculation Agent to exercise its discretion in such a case.

The Calculation Agent may, with the consent of the Issuer, delegate any of its obligations and functions to a third party as it deems appropriate.

#### **10.3 Determinations by the Issuer or the Guarantor**

The Issuer's ability to perform its obligations under the Warrants may be hedged by the Issuer entering into certain hedging arrangements with a Hedging Party. In relation to the discretion of the Issuer in respect of the method of settlement under the Conditions, the exercise of any such discretion is necessary to enable the Issuer to settle the Warrants taking into account its hedging arrangements. Certain events (e.g. failure by the Hedging Party to deliver the relevant underlying assets) beyond the control of the Issuer may occur and such events may materially increase the costs of the Issuer to perform its obligations under the Warrants and consequently require modifications or other actions under the Warrants.



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In exercising its discretion under the Conditions, the Issuer or the Guarantor, as the case may be, shall act in good faith and in a commercially reasonable manner. The exercise of the Issuer's or the Guarantor's discretion under the Conditions is necessary because certain circumstances or events (e.g. material modification or disruption to the underlying asset or reference basis to which the Warrants are linked) may occur subsequent to the issuance of the Warrants or the time at which hedging arrangements are made which may materially affect the costs to the Issuer and/or a Hedging Party of maintaining the relevant Warrants or relevant hedging arrangements. Such circumstances or events may not have been reflected in the pricing of the Warrants. In addition, as a result of certain circumstances or events (e.g. price unavailability or material disruption to any reference source), it may no longer be reasonably practicable or otherwise appropriate for certain valuations in respect of the underlying asset or otherwise reference basis to be made in connection with the Warrants, and thus making it necessary for the Issuer or the Guarantor to exercise its discretion in such a case.

Any determination made by the Issuer or the Guarantor pursuant to the Conditions shall (save in the case of manifest error) be final, conclusive and binding on the Issuer, the Guarantor and the Warrantholders.

### **11. NOTICES**

All notices regarding the Warrants will be deemed to be validly given if published in one leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the Financial Times in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or any other relevant authority on which the Warrants are for the time being listed or by which they have been admitted to listing. 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. If publication as provided above is not practicable, notice will be given in such other manner as the Issuer deems appropriate. Any such notice will be deemed to have been given on the date of such notice.

Notice may be given (and so long as the rules of any stock exchange on which the Warrants are listed, or the rules of any other relevant authority by which the Warrants have been admitted to listing, permit) by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (instead of by way of publication or mailing) for communication by them to the holders of the Warrants provided that, in addition, for so long as any Warrants are listed on a stock exchange or admitted to listing by any other relevant authority and the rules of that stock exchange or other relevant authority so require, such notice will be published in the manner required by the rules of that stock exchange or other relevant authority. Any such notice shall be deemed to have been given to the holders of the Warrants on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg, as the case may be.

Notices to be given by any Warrantholder shall be given to the Principal Warrant Agent through Clearstream, Luxembourg or Euroclear, as the case may be, in writing or by facsimile or electronically or in such other manner as the Principal Warrant Agent, Clearstream, Luxembourg, and/or Euroclear, as the case may be, may approve for this purpose.

### **12. SUBSTITUTION**

#### **12.1 Substitution of Issuer**

The Issuer (or any previously substituted company as issuer from time to time) shall, without the consent of the Warrantholders, be entitled at any time to substitute for the Issuer any other company (the "**Substitute Issuer**") as principal obligor in respect of all obligations arising from or in connection with the Warrants provided that (i) all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Warrants represent valid, legally binding and enforceable obligations of the Substitute Issuer have been taken, fulfilled and done and are in full force and effect; (ii) the Substitute Issuer shall have assumed all obligations arising from or in connection with the Warrants and shall have become a party to the Warrant Agreement, with any consequential amendments, as if it had been an original party to it; (iii) the obligations of the Substitute Issuer in respect of the Warrants shall be unconditionally and irrevocably guaranteed by the Guarantor; (iv) each stock exchange or listing authority on which the Warrants are listed shall have confirmed that following the proposed substitution of the Substitute Issuer, the Warrants would continue to be listed on such stock exchange; and (v) the Issuer shall have given at least 14 calendar days' prior notice of the date of such substitution to the Warrantholders in accordance with Warrant Condition 11 (Notices).

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### **12.2 Substitution of Guarantor**

The Guarantor (or any previously substituted company as guarantor from time to time) shall, without the consent of the Warrantholders, be entitled at any time to substitute for the then Guarantor (the "**Current Guarantor**") any other company (the "**Substitute Guarantor**") as guarantor in respect of all obligations of the Issuer in respect of the Warrants provided that (i) the creditworthiness of the Substitute Guarantor at such time is at least equal to the creditworthiness of Santander UK plc (or if different, of the Current Guarantor), as determined in good faith by the Guarantor by reference to, *inter alia*, the long term senior debt ratings (if any) assigned by Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., and/or Moody's Investors Service Limited and/or Fitch Ratings Limited, or any successor rating agent or agencies thereto, to the Substitute Guarantor, (ii) the Substitute Guarantor having entered into a guarantee (the "**Substitute Guarantee**") in respect of the Warrants in substantially the same form as the Guarantee and such other documents (if any) as may be necessary to give full effect to the substitution (the "**Documents**") and (without limiting the generality of the foregoing) pursuant to which the Substitute Guarantor shall undertake in favour of each Warrantholder to be bound by these Warrant Conditions and the provisions of the Warrant Agreement as fully as if the Substitute Guarantor had been named in these Warrant Conditions, the Documents and the Warrant Agreement as the guarantor in respect of the Warrants in place of Santander UK plc (or if different, of the Current Guarantor); (iii) the Substitute Guarantee and the Documents having been delivered to the Principal Warrant Agent; (iv) each stock exchange or listing authority on which the Warrants are listed shall have confirmed that following the proposed substitution of the Substitute Guarantor, the Warrants would continue to be listed on such stock exchange; and (v) the Guarantor shall have given at least 14 calendar days' prior notice of the date of such substitution to the Warrantholders in accordance with Warrant Condition 11 (Notices).

### **12.3 Substitution of Branch**

The Issuer shall have the right upon notice to the Warrantholders in accordance with Warrant Condition 11 (Notices) to change the branch or office through which it is acting for the purpose of the Warrants, the date of such change to be specified in such notice provided that no change can take place prior to the giving of such notice.

### **13. MEETINGS OF WARRANTHOLDERS AND MODIFICATIONS**

The Warrant Agreement contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Warrant Agreement) of a modification of the Warrants or any of the provisions of the Warrant Agreement. Such a meeting may be convened by the Issuer or the Guarantor at any time and shall be convened by the Issuer at the request of Warrantholders holding not less than five per cent. (5%) (by number) of the Warrants for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing in the aggregate not less than fifty per cent. (50%) (by number) of the Warrants for the time being remaining unexercised, or at any adjourned such meeting one or more persons being or representing Warrantholders whatever the number of the Warrants so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Warrants, the quorum shall be one or more persons holding or representing in the aggregate not less than two-thirds, or at any adjourned such meeting one or more persons holding or representing in the aggregate not less than one-third (by number) of the Warrants for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders, whether or not they are present at the meeting.

The Principal Warrant Agent and the Issuer may agree, without the consent or sanction of the Warrantholders to:

- (A) any modification of (except as mentioned above) the provisions of the Warrants or the Warrant Agreement which is not prejudicial to the interests of the Warrantholders; or
- (B) any modification of any of the provisions of these Conditions, the Warrants or the Warrant Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or is to comply with mandatory provisions of applicable law.

Any such modification shall be binding on the Warrantholders and any such modification shall be notified to the Warrantholders in accordance with Warrant Condition 11 (Notices) as soon as practicable thereafter.

## *General Conditions of the Warrants*

### 14. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Warrantholders to create and issue further Warrants having terms and conditions the same as the Warrants or the same in all respects save for the issue price and date of issue thereof and so as to be consolidated and form a single Series with the outstanding Warrants.

### 15. ADJUSTMENTS FOR EUROPEAN MONETARY UNION

The Issuer may, without the consent of the Warrantholders, on giving notice to the Warrantholders in accordance with Warrant Condition 11 (Notices):

- (A) elect that, with effect from the Adjustment Date specified in the notice, certain terms of the Warrants shall be redenominated in euro;

The election will have effect as follows:

- (a) where the Settlement Currency of the Warrants is the National Currency Unit of a country which is participating in the third stage of European Economic and Monetary Union, such Settlement Currency shall be deemed to be an amount of euro converted from the original Settlement Currency into euro at the Established Rate, subject to such provisions (if any) as to rounding as the Issuer may decide, after consultation with the Calculation Agent, and as may be specified in the notice, and after the Adjustment Date, all payments of the Cash Settlement Amount in respect of the Warrants will be made solely in euro as though references in the Warrants to the Settlement Currency were to euro;
- (b) where the Exchange Rate and/or any other terms of these Conditions are expressed in or, in the case of the Exchange Rate, contemplate the exchange from or into, the currency (the "**Original Currency**") of a country which is participating in the third stage of European Economic and Monetary Union, such Exchange Rate and/or any other terms of the Conditions shall be deemed to be expressed in or, in the case of the Exchange Rate, converted from or, as the case may be into, euro at the Established Rate; and
- (c) such other changes shall be made to the Conditions (including the Exchange Rate) as the Issuer may decide, after consultation with the Calculation Agent to conform them to conventions then applicable to instruments expressed in euro; and/or
- (B) require that the Calculation Agent make such adjustments to the weighting and/or the Settlement Price and/or the Exercise Price and/or any other terms of the Conditions and/or the Final Terms as the Calculation Agent, may determine to be appropriate to account for the effect of the third stage of European Economic and Monetary Union on the weighting and/or the Settlement Price and/or the Exercise Price and/or such other terms of the Conditions.

Notwithstanding the foregoing, none of the Issuer, the Guarantor, if any, the Calculation Agent and the Warrant Agents shall be liable to any Warrantholder or other person for any commissions, costs, losses or expenses in relation to or resulting from the transfer of euro or any currency conversion or rounding effected in connection therewith;

In this Warrant Condition, the following expressions have the following meanings:

**"Adjustment Date"** means a date specified by the Issuer in the notice given to the Warrantholders pursuant to this Warrant Condition which falls on or after the date on which the country of the Original Currency first participates in the third stage of European Economic and Monetary Union pursuant to the Treaty;

**"Established Rate"** means the rate for the conversion of the Original Currency (including compliance with rules relating to rounding in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140(3) of the Treaty;

## ***General Conditions of the Warrants***

"**euro**" means the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty;

"**National Currency Unit**" means the unit of the currency of a country, as those units are defined on the day before the date on which the country of the Original Currency first participates in the third stage of European Economic and Monetary Union; and

"**Treaty**" means the Treaty on the Functioning of the European Union, as amended.

### **16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

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

### **17. SEVERABILITY**

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

### **18. GOVERNING LAW**

The Warrant Agreement, the Guarantee, the Warrants and any non-contractual obligations arising out of or in connection with the Warrant Agreement, the Guarantee, the Warrants are governed by, and shall be construed in accordance with, English law.

The courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Warrants (including any disputes relating to any non-contractual obligations arising out of or in connection with the Warrants).

The Issuer and, where applicable, the Guarantor, have in the Warrant Agreement and the Guarantee agreed to the jurisdiction of the English courts.

## **Currency Technical Annex**

### **CURRENCY TECHNICAL ANNEX**

#### **ADDITIONAL TERMS AND CONDITIONS FOR CURRENCY LINKED SECURITIES**

*The terms and conditions applicable to Currency Linked Securities shall comprise (a) the General Terms and Conditions of the N&C Securities (the "**N&C Security Conditions**") and the additional Terms and Conditions set out below (the "**Currency Linked Conditions**") or (b) the General Terms and Conditions of the Warrants (the "**Warrant Conditions**") and the Currency Linked Conditions, in each case, together with any Terms and Conditions as set out in each other Technical Annex which is specified as applicable in the applicable Final Terms (together with (i) in the case of N&C Securities, the N&C Security Conditions and the Currency Linked Conditions or (ii) in the case of Warrants, the Warrant Conditions and the Currency Linked Conditions, as the case may be, the "**Conditions**") and, in each case subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the N&C Security Conditions or the Warrant Conditions (as the case may be) and the Currency Linked Conditions, the Currency Linked Conditions set out below shall prevail. In the event of any inconsistency between (i) the N&C Security Conditions or the Warrant Conditions (as the case may be) and/or the Currency Linked Conditions and (ii) the Final Terms, the Final Terms shall prevail. References in the Currency Linked Conditions to "Security" and "Securities" shall be deemed to be references to "N&C Security" and "N&C Securities" or "Warrant" and "Warrants" as the context admits and references to "Securityholders" shall be deemed to be references to "N&C Securityholder" or "Warrantholder" as the context admits.*

*The terms and conditions applicable to Securities for which "Currency Adjustment Only" is specified as "Applicable" in the applicable Final Terms, shall comprise the N&C Security Conditions or Warrant Conditions, as applicable, additional Currency Linked Condition 3 below and the Terms and Conditions as set out in each other Technical Annex which is specified as applicable in the applicable Final Terms (together with the N&C Security Conditions or Warrant Conditions, as applicable, and Currency Linked Condition 3, the "**Conditions**"), in each case subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the N&C Security Conditions or Warrant Conditions, as applicable, and Currency Linked Condition 3 below, Currency Linked Condition 3 below shall prevail. In the event of any inconsistency between (i) the N&C Security Conditions or Warrant Conditions, as applicable, and/or Currency Linked Condition 3 and (ii) the Final Terms, the Final Terms shall prevail.*

*References below to a numbered N&C Security Condition or Warrant Condition, as the case may be, are to such numbered section of the N&C Security Conditions or Warrant Conditions, as applicable, and references to a numbered Currency Linked Condition are to such numbered section as set out in this Technical Annex. Defined terms used in this Technical Annex where the same term may be used in another Technical Annex (e.g. Valuation Date or Averaging Date) shall have the meanings given in this Technical Annex or in the section of the Final Terms relating to Currency Linked Securities notwithstanding the same terms being used in another Technical Annex.*

#### **1. CURRENCY LINKED SECURITIES**

Currency Linked Condition 1(a) and (b) below will only apply to N&C Securities.

##### **(a) Currency Linked Interest N&C Securities**

Unless previously redeemed or purchased and cancelled in accordance with the N&C Security Conditions or as specified in the applicable Final Terms and subject to this Currency Technical Annex, each Currency Linked Interest N&C Security will bear interest in the manner specified in, or determined as specified in the applicable Final Terms and the N&C Security Conditions.

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(b) **Currency Linked Redemption N&C Securities**

Unless previously redeemed or purchased and cancelled in accordance with the N&C Security Conditions or as specified in the applicable Final Terms and subject to this Currency Technical Annex, each N&C Security 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.

**2. EXTENSION OF TERMINATION DATE OF SECURITIES**

(a) **Maturity Date Extension for N&C Securities**

If Maturity Date Extension is specified as applying in the applicable Final Terms then, in relation to the Maturity Date, part (b) of the definition of Specified Maximum Days of Disruption or Specified NDF Maximum Days of Disruption (as applicable) will not apply and if the last occurring Valuation Date or last occurring Averaging Date has not occurred on or prior to the second (2nd) FX Business Day preceding the scheduled Maturity Date, the Maturity Date shall be postponed and shall occur on the third (3rd) FX Business Day following (i) the last occurring Valuation Date or (ii) the last occurring Averaging Date as applicable.

(b) **Settlement Date Extension for Warrants**

If Settlement Date Extension is specified as applying in the applicable Final Terms then, in relation to the Settlement Date, part (b) of the definition of Specified Maximum Days of Disruption or Specified NDF Maximum Days of Disruption (as applicable), will not apply and if the last occurring Valuation Date or last occurring Averaging Date has not occurred on or prior to the second (2nd) FX Business Day preceding the scheduled Settlement Date, the Settlement Date shall be postponed and shall occur on the third (3rd) FX Business Day following (i) the last occurring Valuation Date or (ii) the last occurring Averaging Date as applicable.

**3. CURRENCY ADJUSTMENT**

If Currency Adjustment Only is specified as Applicable in the applicable Final Terms, in the event that the currency in which a Relevant Asset is denominated, quoted or traded or with which it is most closely associated as determined by the Calculation Agent (the "**Relevant Asset Currency**") is not the same as the Specified Currency or the Settlement Currency, as applicable, of the Securities, then following any Currency Event the Issuer may take the action described in (A) and/or (B) below as it deems appropriate:

- (A) require the Calculation Agent to determine an exchange rate (or alternative method for determining the exchange rate) for conversion of that Relevant Asset Currency into the Specified Currency or Settlement Currency, as applicable, taking into consideration all available information that in good faith it deems relevant and/or make such other adjustments to the Conditions as it determines appropriate to account for the Currency Event; and/or
- (B) postpone the date of any relevant valuation, observation and/or payment in respect of the Securities for so long as, in the opinion of the Calculation Agent, any Currency Event continues to occur or exist.

For these purposes:

"**Currency Event**" means:

- (a) the occurrence of any event that:
  - (i) generally prevents or delays the Issuer or any of its Affiliates directly or indirectly from converting any Relevant Asset Currency into the Specified Currency or the Settlement Currency, as applicable, (i) through customary legal channels or (ii) at a rate that is at least as favourable as the rate for domestic institutions located in any Relevant Jurisdiction (as defined below);

## *Currency Technical Annex*

- (ii) generally prevents or delays the Issuer or any of its Affiliates directly or indirectly from delivering the Specified Currency or the Settlement Currency, as applicable, and/or the Relevant Asset Currency from accounts inside the Relevant Jurisdiction to accounts outside such Relevant Jurisdiction; or
  - (iii) renders the Issuer or any of its Affiliates unable, after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the currency or foreign exchange risk incurred by the Issuer or any of its Affiliates in respect of any Relevant Asset Currency for purposes of hedging the Securities or (ii) realise, recover or remit the proceeds of any such transaction(s) or asset(s); or
- (b) the government or other relevant authority or entity with jurisdiction in a Relevant Jurisdiction gives public notice of its intention to impose any capital controls which the Calculation Agent determines are likely (i) to have a material effect on the ability of any of the Issuer or any of its Affiliates to hedge foreign exchange risk in respect of the Securities and a Relevant Asset Currency or unwind any such hedging transaction or (ii) to reduce the value of any such hedging transaction; and

**Relevant Assets** means any equity security, index, fund, reference entity and/or obligation, inflation index, commodity, commodity index, property index or other relevant asset or reference basis to which the Securities are linked (in whole or in part).

In the event that a Relevant Asset Currency in respect of a Relevant Asset ceases to be the currency most closely associated with such Relevant Asset (in the determination of the Calculation Agent), the Issuer may determine the appropriate adjustment(s), if any, to be made to any one or more of the Conditions to account for such circumstance and determine the effective date of such adjustment(s). Details of any such adjustment(s) shall be notified to Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable, provided that any failure by the Issuer to provide such notice shall not affect the validity of any such adjustment(s).

As used in this Currency Linked Condition 3, **Relevant Jurisdiction** means any jurisdiction in which a Relevant Asset Currency is the lawful currency or with which it otherwise has a relevant connection selected by the Calculation Agent from time to time.

#### **4. DISRUPTED DAY**

If, in the determination of the Calculation Agent, as of any Valuation Date or Averaging Date a Disrupted Day occurs in respect of any Specified Rate, the relevant Specified Rate in relation to such Valuation Date or Averaging Date shall be determined as provided in the definition of Valuation Date or Averaging Date, as applicable.

#### **5. ADDITIONAL DISRUPTION EVENTS AND CURRENCY DISRUPTION EVENTS**

If, in the determination of the Calculation Agent, on or prior to any Valuation Date or Averaging Date an Additional Disruption Event or Currency Disruption Event occurs, the Calculation Agent may:

- (a) determine in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner) the appropriate adjustment, if any, to be made to any provision of the Conditions and/or the applicable Final Terms including, without limitation any amount payable by the Issuer (including amounts payable in relation of N&C Securities pursuant to Currency Linked Conditions 1(a) and (b), as applicable), and/or any other terms of the Conditions and/or the applicable Final Terms to account for such Additional Disruption Event or Currency Disruption Event, and determine the effective date of that adjustment; or
- (b) give notice to Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrants Condition 11 (Notices), as the case may be, and redeem all, but not some only, of the Securities, at the Early Redemption Amount or Early Cancellation Amount, as applicable, and payment will be made in such manner as shall be notified to Securityholders; or

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- (c) give notice to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrants Condition 11 (Notices), as the case may be, and designate the Securities as "**Suspended Securities**", 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 Securities while the Securities are Suspended Securities and, subject as provided below, any such payment or other performance shall be postponed to no later than the tenth (10th) Business Day following the Cessation Date (as defined below). No payment or compensation shall be due to Securityholders as a result of any such delay (including, in the case of N&C Securities, any additional interest). In the case of Warrants, no Exercise Notice shall be delivered and no Automatic Exercise may occur during the period from and including the Suspension Date to and including the Cessation Date (the "**Suspension Period**"). Any Exercise Notice delivered during the Suspension Period shall be void. The Securities shall remain Suspended Securities until the relevant Additional Disruption Event or Currency Disruption Event ceases to exist and the Issuer notifies the cessation of such Additional Disruption Event or Currency Disruption Event to Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrants Condition 11 (Notices), as the case may be, (the effective date of such notification the "**Cessation Date**") provided that if in the determination of the Calculation Agent the relevant Additional Disruption Event or Currency Disruption Event continues to exist on the second (2nd) anniversary of the Suspension Date (the "**Suspension Cut-Off Date**"), the Suspended Securities shall expire worthless and shall be cancelled by the Issuer in which case all obligations of the Issuer to the Securityholders in respect of the Securities shall be deemed discharged and the Securityholders shall have no further recourse to the Issuer in respect of the Securities.

Without prejudice to the foregoing, following any Cessation Date the Issuer may require the Calculation Agent to determine in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner), any adjustment to any amount payable pursuant to the terms of these Currency Linked Conditions (including, in the case of N&C Securities, any amount payable pursuant to Currency Linked Conditions 1(a) and 1(b)) and/or the applicable Final Terms as necessary or appropriate in order to determine any such amounts or other obligations due or to be performed in respect of the Securities, taking into account, without limitation, the occurrence of the relevant Additional Disruption Event or Currency Disruption Event and the effect of any delay pursuant to this paragraph.

In the case of Physical Delivery N&C Securities, if delivery of any assets is made later than the originally scheduled due date for delivery as a result of the occurrence of a Additional Disruption Event or Currency Disruption Event, until delivery is made to the Securityholders, none of the Issuer, the Guarantor, the Calculation Agent, any Agent or any other person shall at any time (i) be under any obligation to deliver or procure delivery to the Securityholders 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 Securityholders or any subsequent transferee in respect of any loss or damage which the Securityholders 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.

## 6. DEFINITIONS

"**Additional Disruption Event**" means any of Change in Law, Hedging Disruption, Increased Cost of Hedging, Force Majeure Event, Special Taxation Event, FX Price Source Correction and/or any other Additional Disruption Event specified in the applicable Final Terms.

"**Averaging Date**" means, in relation to any Specified Rate, each date specified as such in relation to such Specified Rate in the applicable Final Terms, or, if any such date is not an FX Business Day, the relevant Averaging Date shall (i) in the case of a Specified Rate which is determined by reference to an NDF Currency, be the immediately preceding FX Business Day, *provided however*, that, in the event of the originally scheduled Averaging Date being an Unscheduled Holiday, the Averaging Date shall be the immediately succeeding FX Business Day and (ii) in the case of a Specified Rate which is not determined by reference to an NDF Currency, be the immediately succeeding FX Business Day unless, in each case, in the opinion of the Calculation Agent, such relevant Averaging Date is a Disrupted Day in relation to any Specified Rate. If such relevant Averaging Date is a Disrupted Day, then in relation to each Specified Rate not affected by such Disrupted Day the Averaging Date shall be the Scheduled Averaging Date and in relation to each Specified Rate affected by such Disrupted Day:



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- (a) if "**Omission**" is specified as applying in the applicable Final Terms, then such date will be deemed not to be an Averaging Date for the purposes of determining the relevant Specified Rate provided that, if through the operation of this provision no Averaging Date would occur, then the provisions of the definition of "**Valuation Date**" will apply for purposes of determining the relevant Specified Rate 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 as applying in the applicable Final Terms, then the provisions of the definition of "Valuation Date" will apply for the purposes of determining the relevant Specified Rate 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 as applying in the applicable Final Terms in the case of a Specified Rate then the Averaging Date shall be the first succeeding Valid Date (as defined below). If the first succeeding Valid Date has not occurred for (i) a number of consecutive FX Business Days equal to the Specified Maximum Days of Disruption (in the case of a Specified Rate not determined by reference to an NDF Currency) or (ii) a number of consecutive calendar days equal to the Specified NDF Maximum Days of Disruption (in the case of a Specified Rate determined by reference to an NDF Currency) immediately following the Scheduled Averaging Date, then the first FX Business Day immediately following that last consecutive FX Business Day or calendar day, as applicable, shall be deemed to be the Averaging Date (irrespective of whether that FX Business Day is already an Averaging Date) and the Calculation Agent shall determine the relevant rate for that Averaging Date in accordance with the definition of "Calculation Agent Determination" below on such day as though such day was a Valuation Date; or
- (d) if a Disruption Fallback (other than Valuation Postponement) is specified in the applicable Final Terms in the case of the Specified Rate, then the Averaging Date will be the Scheduled Averaging Date and the Calculation Agent will determine the Specified Rate in accordance with the provisions of "Disruption Fallback" as though such date was a Valuation Date.

For the purposes of these Currency Linked Conditions, "**Valid Date**" means an any FX Business Day (in the case of a Specified Rate not determined by reference to an NDF Currency) or any calendar day (in the case of a Specified Rate determined by reference to an NDF Currency) which in each case is not a Disrupted Day and on which another Averaging Date does not or is not deemed to occur.

"**Base Currency**" shall mean each currency specified as such in the applicable Final Terms.

"**Bloomberg Screen**" shall mean, when used in connection with any designated page, specified in the applicable Final Terms, the display page so designated on the Bloomberg service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, in all cases for the purpose of displaying comparable rates in succession thereto).

"**Calculation Agent Determination**" means, in respect of the Specified Rate and any Valuation Date or Averaging Date, that the Specified Rate for such Valuation Date or Averaging Date (or a method for determining the Specified Rate) will be determined by the Calculation Agent taking into consideration all available information that in good faith it deems relevant.

"**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 enactment, promulgation, execution, ratification or adoption of, or any change in or amendment to, any rule, law, regulation or statute (or in the applicability or interpretation of any rule, law, regulation or statute by any court, tribunal or regulatory authority with competent jurisdiction) or the issuance of any order or decree, or any action taken by a taxing authority, the Issuer determines in its sole and absolute discretion that it has become illegal or not reasonably practicable for any Hedging Party to hold, acquire or dispose of relevant hedge positions relating to any Reference Currency, the Base Currency or other relevant currency(ies) in relation to the Securities.

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"**Currency Disruption Event**" means any of:

- (a) "**General Inconvertibility**", being the occurrence of any event that, from a legal or practical perspective, generally makes it impossible or not reasonably practicable to (i) convert the Local Currency into the Base Currency or (ii) to convert the relevant Reference Currency for the purpose of determining the Specified Rate, in any relevant jurisdiction through customary legal channels;
- (b) "**Specific Inconvertibility**", being the occurrence of any event that, from a legal or practical perspective, has the direct or indirect effect of hindering, limiting, restricting, making it impossible or not reasonably practicable for any Hedging Party to convert the whole, or part thereof, (i) of any relevant amount in the Local Currency into the Base Currency or (ii) of any relevant Reference Currency for the purpose of determining the Specified Rate, in any relevant jurisdiction, (including, without limitation, by reason of any delays, increased costs or discriminatory rates of exchange or any current or future restrictions on the repatriation of either (i) the Local Currency into the Base Currency or (ii) any relevant Reference Currency for the purpose of determining the Specified Rate) other than where such impossibility or impracticality is due solely to the failure by such 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 Trade Date and it is impossible or not reasonably practicable for such Hedging Party, due to an event beyond its control, to comply with such law, rule or regulation);
- (c) "**General Non-Transferability**", being the occurrence of any event that generally makes it impossible or not reasonably practicable to deliver (a) the Base 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;
- (d) "**Specific Non-Transferability**", being the occurrence of any event that, from a legal or practical perspective, has the direct or indirect effect of hindering, limiting, restricting, making it impossible or not reasonably practicable for 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 (including, without limitation, by reason of any delays, increased costs or discriminatory rates of exchange or any current or future restrictions on the repatriation of the Local Currency into the Specified Currency), other than where such impossibility or impracticality is due solely to the failure by such 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 Trade Date and it is impossible or not reasonably practicable for such Hedging Party, due to an event beyond its control, to comply with such law, rule or regulation);
- (e) "**Nationalisation**", being any expropriation, confiscation, requisition, nationalisation or other action is taken by a Governmental Authority which deprives any Hedging Party of all or substantially all of its assets in any relevant jurisdiction; and/or
- (f) "**Dual Exchange Rate**", being the occurrence of an event that splits any rate referred to in the definition of any applicable Specified Rate into dual or multiple currency exchange rates.

"**Currency Reference Dealers**" shall mean at any relevant time up to five dealers in the currency and foreign exchange markets, as selected by the Calculation Agent at such time, in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner).

"**Currency Reference Dealer Quotation**" shall mean, in relation to any FX Business Day and a relevant Specified Rate, a rate determined on the basis of five currency or foreign exchange rate quotations requested by the Calculation Agent at or about the Valuation Time on such FX Business Day from five Currency Reference Dealers expressed on the same basis as such Specified Rate in accordance with the following:

- (a) After disregarding the highest and lowest quotation provided by the Currency Reference Dealers (provided that, if two or more such quotations are the highest such quotations, then only one of such quotations shall be disregarded and if two or more such quotations are the lowest quotations then only one of such lowest quotations

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shall be disregarded), the applicable Currency Reference Dealer Quotation shall be determined by the Calculation Agent as the arithmetic mean (rounded to the nearest five decimal places, 0.000005 being rounded upwards) of the remaining three such quotations for such rate; or

- (b) If only four such quotations are provided as requested, (after disregarding the highest and lowest such quotations in the manner described above), the applicable Currency Reference Dealer Quotation shall be the arithmetic mean of the remaining two quotations for such rate (rounded as described above) as determined by the Calculation Agent; or
- (c) If only three or two quotations are provided as requested, the applicable Currency Reference Dealer Quotation shall be the arithmetic mean of such quotations (rounded as described above) as determined by the Calculation Agent; or
- (d) If only one or no such quotation is provided as requested, no applicable Currency Reference Dealer Quotation shall be determined.

**"Disrupted Day"** means:

- (a) any day on which an FX Market Disruption Event exists or has occurred; or
- (b) any relevant day on which an Unscheduled Holiday occurs.

**"Disruption Fallback"** means, in respect of a Specified Rate, Calculation Agent Determination, Currency Reference Dealer Quotation, Fallback Reference Price, Valuation Postponement and/or such other source(s) or method(s) specified as such or otherwise determined as an alternative basis for determining such Specified Rate as may be provided in the relevant Final Terms. The applicable Disruption Fallback in respect of the Specified Rate shall be as specified in the applicable Final Terms, and if two or more Disruption Fallbacks are specified, unless otherwise provided in the applicable Final Terms, such Disruption Fallbacks shall apply in the order in which they are specified, such that if the Calculation Agent determines that the Specified Rate cannot be determined by applying one Disruption Fallback, then the next Disruption Fallback specified shall apply.

**"Fallback Reference Price"** means, in respect of any Valuation Date or Averaging Date, that the Calculation Agent will determine the Specified Rate in relation to such Valuation Date or Averaging Date expressed on the same basis as the Specified Rate, published by such available recognised financial information source(s) (as selected by the Calculation Agent) other than the applicable FX Price Source and in respect of a time at or around the applicable Valuation Time on such relevant day.

**"Final Valuation Date"** means the date specified as the Final Valuation Date in the applicable Final Terms, which, unless otherwise specified in the applicable Final Terms, shall be deemed to be a Valuation Date for the purposes of determining any Maturity Date Extension (in the case of N&C Securities) or Settlement Date Extension (in the case of Warrants) pursuant to Currency Linked Condition 2 and/or the consequences of any such day not being a FX Business Day, a Disrupted Day or an Unscheduled Holiday occurring on any such day in accordance with these Currency Linked Conditions.

**"Force Majeure Event"** means the occurrence, as determined in the sole and absolute discretion of (or, in the case of Italian Securities, in good faith and in a reasonable manner by) the Calculation Agent, of an event resulting in the Calculation Agent being unable to make any determination under the Securities, including being unable to determine any amount, rate, level or other variable necessary to determine any payment due under the Securities as a result of market conditions, including, but not limited to, acts of God, riots, civil commotion, insurrections, wars, actions of foreign or local governmental agencies, breakdowns in telecommunications or other electronic communication, blockades, boycotts, strikes, lockouts, industrial actions of whatever nature, bomb threats or terrorist actions or any other causes beyond its control.

**"FX Business Day"** means 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) or, but for an FX Market

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Disruption Event, would have settled payments and been open in such manner in each of the Principal Financial Centres specified in the applicable Final Terms.

**"FX Market Disruption Event"** means any FX Price Source Disruption and/or FX Trading Suspension or Limitation and/or any other event specified as such in the applicable Final Terms.

**"FX Price Source"** shall mean the information source(s) specified as such for the relevant Specified Rate in the applicable Final Terms.

**"FX Price Source Correction"** means (a) a relevant Specified Rate published on the FX Price Source which is used or will be used by the Calculation Agent to make any determination under the Securities is subsequently corrected and published by the FX Price Source (whether or not such correction is to reflect information published or announced by any governmental authority in a relevant country) and (b) such corrected Specified Rate is material to the hedging arrangements of the Issuer or any of its Affiliates in respect to the Securities and such Specified Rate. For the avoidance of doubt (i) any adjustment to the Conditions to reflect the FX Price Source Correction may but is not required to involve the Calculation Agent electing to use the corrected Specified Rate for the relevant determination under the Securities and (ii) an FX Price Source Correction may apply on more than one occasion in relation to the same Specified Rate if more than one correction occurs.

**"FX Price Source Disruption"** means it becomes impossible or not reasonably practicable to obtain or determine a relevant Specified Rate by reference to a relevant FX Price Source.

**"FX Trading Suspension or Limitation"** means the suspension of and/or limitation of trading in any relevant market for the determination of a Specified Rate (which may be, without limitation, any over-the-counter or quotation-based market, whether regulated or unregulated) if, in any such case, such suspension or limitation is, in the determination of the Calculation Agent, material.

**"Governmental Authority"** means (i) any de facto or de jure government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or (ii) any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in each case in any relevant jurisdiction.

**"Hedging Disruption"** means that any Hedging Party is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the price risk, including but not limited to the currency risk, of the Issuer issuing and performing its obligations with respect to the Securities, or (B) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s).

**"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 Securities from time to time.

**"Increased Cost of Hedging"** means that any Hedging Party would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, equity price risk, foreign exchange risk and interest rate risk) of the Issuer issuing and performing its obligations with respect to the Securities, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

**"Initial Valuation Date"** means the date specified as an Initial Valuation Date in the applicable Final Terms, which, unless otherwise specified in the applicable Final Terms, shall be deemed to be a Valuation Date for the purposes of determining any Maturity Date Extension (in the case of N&C Securities) or Settlement Date Extension (in the case of Warrants) pursuant to Currency Linked Condition 2 and/or the consequences of any such day not being a FX Business Day, a Disrupted Day or an Unscheduled Holiday occurring on any such day in accordance with these Currency Linked Conditions.

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**"Local Currency"** means, in relation to General Inconvertibility, Specific Inconvertibility, General Non-Transferability, Specific Non-Transferability or Special Taxation Event, 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.

**"NDF Currency"** shall mean each relevant currency specified as such in the applicable Final Terms.

**"Observation Period"** means the period specified as the Observation Period in the applicable Final Terms.

**"Principal Financial Centre"** means the relevant financial centre(s) specified as such in the applicable Final Terms.

**"Reference Currency"** shall mean each relevant currency specified as such in the applicable Final Terms.

**"Reuters Screen"** shall mean, when used in connection with any designated page, specified in the applicable Final Terms, the display page so designated on the Reuters Money Market Rate Services or such other services or service as may be nominated as the information vendor for the purpose of displaying the specific page on that service or such other page as may replace that page on that service or such other service, in all cases for the purpose of displaying comparable rates in succession thereto.

**"Scheduled Averaging Date"** means any original date that, but for the occurrence of an event causing a Disrupted Day (but taking into account for these purposes any Unscheduled Holiday adjustment pursuant to the initial section (i) of the definition of Averaging Date), would have been an Averaging Date.

**"Scheduled Observation Date"** means the date specified as a Scheduled Observation Date in the applicable Final Terms, which, unless otherwise specified in the applicable Final Terms, shall be deemed to be a Valuation Date for the purposes of determining any Maturity Date Extension (in the case of N&C Securities) or Settlement Date Extension (in the case of Warrants) pursuant to Currency Linked Condition 2 and/or the consequences of any such day not being a FX Business Day being a Disrupted Day or an Unscheduled Holiday occurring on any such day in accordance with these Currency Linked Conditions.

**"Scheduled Valuation Date"** means any original date that, but for the occurrence of an event causing a Disrupted Day (but taking into account for these purposes any Unscheduled Holiday adjustment pursuant to the initial section (i) of the definition of Valuation Date), would have been a Valuation Date.

**"Screen Page"** means the page specified in the applicable Final Terms, or any successor page or service thereto.

**"Special Taxation Event"** means the occurrence, in the sole and absolute determination of (or, in the case of Italian Securities, in good faith and in a reasonable manner by) the Calculation Agent of one or more of the following:

- (a) (i) the enactment, promulgation, execution, ratification or adoption of, or any change in or amendment to, any rule, law, regulation or statute (or in the applicability or official interpretation of any rule, law, regulation or statute) by any Governmental Authority, (ii) the issuance of any order or decree by any Governmental Authority, (iii) any action being taken by a taxing authority in a relevant jurisdiction, or (iv) the occurrence of any other act or event at any time relating to withholding or deduction for or on account of tax in relation to any Reference Currency specified in the applicable Final Terms, which (in the case of (i), (ii), (iii) or (iv) above) will (or there is a substantial likelihood that it will) adversely affect the economic value of the Securities;
- (b) the imposition of taxes on the transfer of any Local Currency or Reference Currency or any other currency out of any relevant jurisdiction; or
- (c) the imposition of any taxes on any conversion of any Local Currency into another currency.

**"Specified Maximum Days of Disruption"** means (a) either (i) eight (8) FX Business Days or (ii) such other number of FX Business Days specified as such in the applicable Final Terms or (b) if shorter, such number of FX Business Days in the period from (but excluding) the Scheduled Valuation Date or Scheduled Averaging Date, as applicable, to (but

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excluding) the second (2nd) FX Business Day prior to any due date for any payment under the Securities for which valuation on the relevant Valuation Date or Averaging Date is relevant, all as determined by the Calculation Agent.

**"Specified NDF Maximum Days of Disruption"** means (a) the maximum number of calendar days of postponement of the Scheduled Valuation Date or Scheduled Averaging Date, as applicable specified as such in the applicable Final Terms or (b), if shorter, such number of calendar days from (but excluding) the Scheduled Valuation Date or Scheduled Averaging Date, as applicable, to (but excluding) the second (2nd) FX Business Day prior to any due date for any payment under the Securities for which valuation on the relevant Valuation Date or Averaging Date is relevant, all as determined by the Calculation Agent.

**"Specified Rate"** means, in relation to any Valuation Date or Averaging Date, each relevant currency or foreign exchange rate in relation to such Valuation Date or Averaging Date, as specified in the applicable Final Terms.

**"Unscheduled Holiday"** shall have the meaning specified in the applicable Final Terms;

**"Valuation Date"** means, in relation to any Specified Rate, each date specified as such in relation to such Specified Rate in the applicable Final Terms, or, if any such Valuation Date is not an FX Business Day, the relevant Valuation Date shall (i) in the case of a Specified Rate which is determined by reference to an NDF Currency, be the immediately preceding FX Business Day, *provided however*, that, in the event of the originally scheduled Valuation Date being an Unscheduled Holiday, the Valuation Date shall be the immediately succeeding FX Business Day and (ii) in the case of a Specified Rate which is not determined by reference to an NDF Currency, be the immediately succeeding FX Business Day unless, in each case, in the opinion of the Calculation Agent, such relevant Valuation Date is a Disrupted Day in relation to any Specified Rate. If such relevant Valuation Date is a Disrupted Day, then in relation to each Specified Rate not affected by such Disrupted Day the Valuation Date shall be the Scheduled Valuation Date and in relation to each Specified Rate affected by such Disrupted Day:

- (a) in the case of a Specified Rate which is not determined by reference to an NDF Currency, the relevant Valuation Date shall be (i) where any of Calculation Agent Determination, Currency Reference Dealer Quotation or Fallback Reference Price is the applicable Disruption Fallback, the Scheduled Valuation Date or (ii) where Valuation Postponement is the applicable Disruption Fallback, the Valuation Date determined in accordance with such provision and in each case the Calculation Agent will determine the Specified Rate in accordance with the provisions of "Disruption Fallback"; or
- (b) in the case of a Specified Rate which is determined by reference to an NDF Currency, the relevant Valuation Date shall be the first succeeding calendar day that is not a Disrupted Day, unless each of the number of consecutive calendar days equal to the Specified NDF Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day. In that case:
  - (i) the FX Business Day immediately following such last consecutive calendar day shall be deemed to be the relevant Valuation Date, notwithstanding the fact that such day may be a Disrupted Day; and
  - (ii) the Calculation Agent shall determine the relevant Specified Rate as of the Valuation Time on such day (x) as the Specified Rate determined on the basis of the Second Fallback FX Price Source, if any, specified in the applicable Final Terms or, if no such Second Fallback FX Price Source is specified or if it is specified but is unavailable or otherwise not reasonably practicable to use, (y) as its good faith estimate of the Specified Rate which would have prevailed at such time but for the provisions of this sub-paragraph (b)(ii) applying by reference to such source(s) as it may determine appropriate and taking into account any FX Market Disruption Event at such time.

**"Valuation Postponement"** means, in respect of any Valuation Date, that the Calculation Agent will determine the Specified Rate on first succeeding FX Business Day that is not a Disrupted Day, unless each of the number of consecutive FX Business Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day. In that case:

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- (i) the last such consecutive FX Business Day shall be deemed to be the relevant Valuation Date, notwithstanding the fact that such day is a Disrupted Day; and
- (ii) the Calculation Agent shall determine the relevant Specified Rate on such day in accordance with the next applicable Disruption Fallback or if no such Disruption Fallback is specified in the applicable Final Terms, Calculation Agent Determination.

"**Valuation Time**" shall mean, in relation to a Specified Rate the relevant time specified for such Specified Rate in the applicable Final Terms.

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### EQUITY TECHNICAL ANNEX

#### ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED SECURITIES

*The terms and conditions applicable to Equity Linked Securities shall comprise (a) the General Terms and Conditions of the N&C Securities (the "N&C Security Conditions") and the additional Terms and Conditions set out below (the "Equity Linked Conditions") or (b) the General Terms and Conditions of the Warrants (the "Warrant Conditions") and the Equity Linked Conditions, in each case, together with any Terms and Conditions as set out in each other Technical Annex which is specified as applicable in the applicable Final Terms (together with (i) in the case of N&C Securities, the N&C Security Conditions and the Currency Linked Conditions or (ii) in the case of Warrants, the Warrant Conditions and the Currency Linked Conditions, as the case may be, the "Conditions") and, in each case subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the N&C Security Conditions or the Warrants Conditions, as the case may be, and the Equity Linked Conditions, the Equity Linked Conditions shall prevail. In the event of any inconsistency between (i) the N&C Security Conditions or the Warrants Conditions, as the case may be, and/or the Equity Linked Conditions and (ii) the Final Terms, the Final Terms shall prevail. References in the Equity Linked Conditions to "Security" and "Securities" shall be deemed to be references to "N&C Security" and "N&C Securities" or "Warrant" and "Warrants" as the context admits and references to "Securityholder" shall be deemed to be references to "N&C Securityholder" or "Warrant holder" as the context admits.*

References below to a numbered N&C Security Condition or Warrant Condition, as the case may be, are to such numbered section of the N&C Security Conditions or Warrant Conditions, as applicable and references to a numbered Equity Linked Condition are to such numbered section as set out in this Technical Annex.

Defined terms used in this Technical Annex where the same term may be used in another Technical Annex (e.g. Valuation Date) shall have the meanings given in this Technical Annex or in the section of the Final Terms relating to Equity Linked Securities.

#### 1. EQUITY LINKED N&C SECURITIES

This Equity Linked Condition 1 will only apply to N&C Securities.

##### (a) Equity Linked Interest N&C Securities

Unless previously redeemed or purchased and cancelled in accordance with the N&C Security Conditions or as specified in the applicable Final Terms and subject to this Equity Technical Annex, each Equity Linked Interest N&C Security will bear interest in the manner specified in the applicable Final Terms and the N&C Security Conditions.

##### (b) Equity Linked Redemption N&C Securities

Unless previously redeemed or purchased and cancelled, each N&C Security 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 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).

#### 2. DEPOSITARY RECEIPTS

##### (a) Application of Depositary Receipt provisions

If "Depositary Receipt provisions" are specified as applicable in the applicable Final Terms, for the purposes of these Equity Linked Conditions:



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- (i) references to "**Share**" or "**Shares**" shall be deemed to include an ordinary share or ordinary shares or other relevant equity securities, as the case may be, of the Share Company to which the relevant Depositary Receipts specified in the applicable Final Terms relate;
- (ii) references to "**Exchange**" shall, in the context of the ordinary shares or other relevant equity securities of the Share Company, be deemed to be references to the Share Exchange specified in the applicable Final Terms;
- (iii) references to "**Share Company**" shall, in the context of a Depositary Receipt, be deemed to include references to the issuer or obligor of the Depositary Receipts;
- (iv) with respect to Depositary Receipts only, the following additional event shall constitute a Potential Adjustment Event for the purposes of Equity Linked Condition 4:  
  
"a distribution in respect of the Shares of property other than cash, shares or rights relating to any Shares to the holder(s) of the Shares;" and
- (v) with respect to Depositary Receipts only, the following events shall constitute Additional Disruption Events for the purposes of Equity Linked Condition 7:
  - (A) a Termination; and
  - (B) an Adjustment Event.

(b) **Definitions specific to Depositary Receipts**

"**Adjustment Event**" means (a) the terms and conditions of the Depositary Receipts have been altered or any adjustment or modification has been made pursuant to such terms and conditions (in each case whether by the Share Company or any party having influence over such terms and conditions) or the Depositary Receipts converted into other securities and/or (b) the aggregate amounts (or currency thereof) to which a holder is entitled under the Depositary Receipts are altered.

"**Depositary Receipt**" means a depositary receipt relating to ordinary shares or other relevant equity securities issued by a Share Company, as specified in the applicable Final Terms, subject to adjustment pursuant to the provisions specified in Equity Linked Conditions 4, 5 and 7.

"**Termination**" means, in relation to an issue of Depositary Receipts, such issue has been terminated, cancelled or otherwise ceased to be outstanding for any reason. This shall include, without limitation, the termination of the deposit agreement in respect of the Shares and/or written instructions being given by the Share Company to the depository of the Shares to withdraw or surrender the Shares.

### 3. **MARKET DISRUPTION**

"**Market Disruption Event**" means, in relation to Securities relating to a single Share or a basket of Shares, in respect of a Share, the occurrence or existence of (a) a Trading Disruption, (b) an Exchange Disruption, which in either case the Calculation Agent in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner), determines is material, at any time during the one hour period that ends at the relevant Valuation Time, or (c) an Early Closure.

The Calculation Agent shall give notice as soon as practicable to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable, 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.

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### 4. POTENTIAL ADJUSTMENT EVENTS

"**Potential Adjustment Event**" means any of the following:

- (a) a subdivision, consolidation or reclassification of relevant Shares (unless resulting in a Merger Event or, if Tender Offer is specified as applying in the applicable Final Terms, a Tender Offer) or a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;
- (b) a distribution, issue or dividend to existing holders of the relevant Shares of (A) such Shares or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Basket Company or Share Company, as the case may be, equally or proportionately with such payments to holders of such Shares or (C) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Basket Company or Share Company, as the case may be, as a result of a spin-off or other similar transaction or (D) any other type of securities, rights or certificates or other assets, in any case for payment (in cash or in other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (c) an Extraordinary Dividend (as defined in Equity Linked Condition 8) as determined by the Calculation Agent;
- (d) a call by a Basket Company or Share Company, as the case may be, in respect of relevant Shares that are not fully paid;
- (e) a repurchase by the Basket Company or its subsidiaries or Share Company or its subsidiaries, as the case may be, of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- (f) in respect of a Basket Company or Share Company, as the case may be, 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 Basket Company or Share Company, as the case may be, pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, certificates, 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 having, in the opinion of the Calculation Agent, a diluting or concentrative effect on the theoretical value of the relevant Shares.

Following the declaration by the Basket Company or Share Company, as the case may be, of the terms of any Potential Adjustment Event, the Calculation Agent will, in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner), determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Shares and, if so, will (i) make the corresponding adjustment, if any, to any one or more of (a) any Relevant Asset and/or the Asset Amount (in each case with respect to Physical Delivery N&C Securities), (b) any Relevant Asset and/or Entitlement (in each case with respect to Physical Delivery Warrants) and/or (c) any of the other terms of the Conditions and/or the applicable Final Terms as the Calculation Agent in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner) determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and (ii) determine the effective date of that adjustment. In its determinations of the existence and extent of any dilutive or concentrative effect on the theoretical value of the Shares relating to any Potential Adjustment Event, and any related adjustments to the terms of the Securities, the Calculation Agent may take into account any amounts of Local Taxes that would, in the determination of the Calculation Agent, be withheld from or paid or otherwise incurred by an Offshore Investor in connection with such Potential Adjustment Event. 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 Shares traded on that options exchange.

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Upon the making of any such adjustment by the Calculation Agent, the Calculation Agent shall give notice as soon as reasonably practicable under the circumstances to (i) the Issuer and the Principal Paying Agent or Principal Warrant Agent, as the case may be, and (ii) the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable, stating the adjustment to (a) any Relevant Asset and/or the Asset Amount (in each case with respect to Physical Delivery N&C Securities), (b) any Relevant Asset and/or Entitlement (in each case with respect to Physical Delivery Warrants) and/or (c) any of the other terms of the Conditions and/or the applicable Final Terms and giving brief details of the Potential Adjustment Event, *provided that* any failure to give, or non-receipt of, such notice will not affect the validity of the Potential Adjustment Event.

### 5. EXTRAORDINARY EVENTS

#### (a) Definitions applicable to Extraordinary Events

As used herein:

**"Extraordinary Event"** means any of an Additional Extraordinary Event, a De-Listing, an Insolvency, a Merger Event, a Nationalisation, a Tender Offer (provided that a Tender Offer shall only be an Extraordinary Event if specified as applicable in the applicable Final Terms), any other events specified as "Additional Extraordinary Events" in the applicable Final Terms and, in the case of Securities relating to a basket of Shares, each of a De-Merger and a Participation Event (whether or not such events are Additional Extraordinary Events), and

**"Additional Extraordinary Event"** means any of a De-Merger, a Participation Event, Illiquidity or any other event but in each case only if specified as applicable in the applicable Final Terms;

**"De-Listing"** means, in respect of any relevant Shares, the relevant Exchange announces that pursuant to the rules of such Exchange, such Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or, if Tender Offer is specified as applying in the applicable Final Terms, a Tender Offer) and are 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 a member state of the European Union);

**"De-Merger"** means, in respect of any relevant Shares, that the Basket Company or Share Company, as the case may be, is affected by a de-merger including, without limitation, a spin off, scission or any operation of a similar nature;

**"Illiquidity"** means, in respect of any relevant Shares, that, in the determination of the Calculation Agent, during any period of five (5) consecutive Scheduled Trading Days falling after the Issue Date (the **"Relevant Period"**), (a) the difference between the bid prices and the ask prices (as quoted on any Relevant Market) in respect of a Share during the Relevant Period is greater than 1% (on average), and/or (b) the average purchase price or the average selling price, determined by the Calculation Agent from the order book of the relevant Share on the relevant Exchange during the Relevant Period, in relation to the purchase or sale of Shares with a value equal to or greater than EUR 10,000.00 (or its equivalent), is greater than MID plus 1% (in relation to a purchase of Shares) or lower than the MID minus 1% (in relation to a sale of Shares). For these purposes, **"MID"** means an amount equal to (a) the sum of the bid price and the ask price (as quoted on any Relevant Market), in each case for the relevant Share at the relevant time, (b) divided by two;

**"Insolvency"** means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the Basket Company or Share Company, as the case may be, (i) all the Shares of that Basket Company or Share Company, as the case may be, are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Shares of that Basket Company or Share Company, as the case may be, become legally prohibited from transferring them;

**"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 Shares, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of a Basket Company or Share Company, as the case may

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be, with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Basket Company or Share Company, as the case may be, is the continuing entity and which does not result in a reclassification or change of all of such Shares 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 of the Basket Company or Share Company, as the case may be, that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Basket Company or its subsidiaries or the Share Company or its subsidiaries, as the case may be, with or into another entity in which the Basket Company or Share Company, as the case may be, is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Shares immediately following such event, in each case if the Merger Date is on or before (1) in the case of Cash Settled Securities, the last occurring Valuation Date or where Averaging is specified in the applicable Final Terms, the final Averaging Date, (2) in the case of Physical Delivery N&C Securities, the relevant Maturity Date or (3) in the case of Physical Delivery Warrants, the relevant Settlement Date;

**"Nationalisation"** means that all the Shares or all or substantially all the assets of the Basket Company or Share Company, as the case may be, are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof;

**"Participation Event"** means that a Basket Company takes a stake exceeding 20.00 per cent. of another separate Basket Company comprised within the same basket of Shares;

**"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 Basket Company or Share Company, as the case may be, 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; and

**"Tender Offer Date"** means, in respect of a Tender Offer, the date on which the voting shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained, as determined by the Calculation Agent.

### (b) **Consequences of an Extraordinary Event**

If any Extraordinary Event occurs in relation to a Share, the Issuer in its sole and absolute discretion may take the action described in (i), (ii), or (iii) below:

- (i) require the Calculation Agent to determine, in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner), the appropriate adjustment, if any, to be made to any one or more of (A) any Relevant Asset and/or the Asset Amount (in each case with respect to Physical Delivery N&C Securities), (B) any Relevant Asset and/or Entitlement (in each case with respect to Physical Delivery Warrants) and (C) or any of the other terms of the Conditions and/or the applicable Final Terms to account for such Extraordinary Event, as the case may be, and determine the effective date of that adjustment. The relevant adjustments may include, without limitation, adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Securities, or selecting a replacement share and making any relevant adjustments in relation thereto. The Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of such Extraordinary Event made by any options exchange to options on the Shares traded on that options exchange and the Calculation Agent may take into account any amounts of Local Taxes that would, in the determination of the Calculation Agent, be withheld from or paid or otherwise incurred by an Offshore Investor in connection with such Extraordinary Event; or
- (ii) where the Securities relate to a basket of Shares, on giving notice to Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable, redeem (in the case of N&C Securities) or cancel, as the case may be, each Security in part. If a Security is so redeemed (in the case of N&C Securities) or cancelled in part the portion (the **"Partial Amount"**) of each such Security representing the

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affected Share(s) shall be redeemed (in the case of N&C Securities) or cancelled, as the case may be, and the Issuer will (x) pay to each Securityholder in respect of each Security held by him an amount equal to (I) in the case of Securities other than Italian Securities, the fair market value of the Partial Amount, taking into account prevailing market prices and/or exchange rates prices of the affected Share and/or the relevant Extraordinary Event less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion, (II) in the case of Italian SeDeX Securities, the fair market value of the Partial Amount, which the Calculation Agent determines would have prevailed but for the occurrence of the Extraordinary Event, as determined by the Calculation Agent in good faith and in a reasonable manner, or (III) in the case of Italian MOT Securities, the nominal amount; and (y) require the Calculation Agent to determine in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner) the appropriate adjustment, if any, to be made to any of the terms of the Conditions and/or the applicable Final Terms to account for such redemption (in the case of N&C Securities) or cancellation in part. For the avoidance of doubt the remaining part of each such Security after redemption (in the case of N&C Securities) or cancellation and adjustment shall remain outstanding with full force and effect (if applicable, as so adjusted). Payments will be made in such manner as shall be notified to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable; or

- (iii) on giving notice to Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable, redeem (in the case of N&C Securities) or cancel (in the case of Warrants) all but not some only of the Securities, each Security being redeemed, in the case of N&C Securities, or cancelled, in the case of Warrants, at the Early Redemption Amount, in the case of N&C Securities, or Early Cancellation Amount, in the case of Warrants, which shall be determined by taking into account the relevant Extraordinary Event all as determined by the Calculation Agent in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner). Payments will be made in such manner as shall be notified to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable; or
- (iv) following such adjustment to the settlement terms of options on the Shares traded on such exchange(s) or quotation system(s) as the Issuer in its sole discretion shall select (the "**Options Exchange**"), require the Calculation Agent to make a corresponding adjustment to any one or more of (A) any Relevant Asset and/or the Asset Amount (in each case with respect to Physical Delivery N&C Securities), (B) any Relevant Asset and/or Entitlement (in each case with respect to Physical Delivery Warrants) and/or (C) any of the other terms of the Conditions and/or the applicable Final Terms, which adjustment will be effective as of the date determined by the Calculation Agent to be the effective date of the corresponding adjustment made by the Options Exchange. If options on the Shares are not traded on the Options Exchange, the Calculation Agent will make such adjustment, if any, to any one or more of (I) any Relevant Asset and/or the Asset Amount (in each case with respect to Physical Delivery N&C Securities), (II) any Relevant Asset and/or Entitlement (in each case with respect to Physical Delivery Warrants) and/or (III) any of the other terms of the Conditions and/or the applicable Final Terms as the Calculation Agent in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner) determines appropriate, with reference to the rules and precedents (if any) set by the Options Exchange to account for such Extraordinary Event, as the case may be, that in the determination of the Calculation Agent would have given rise to an adjustment by the Options Exchange if such options were so traded; or
- (v) if the applicable Final Terms provide that "Share Substitution" is applicable, then on or after the relevant Merger Date, Tender Offer Date, or such other appropriate date (taking into account the Extraordinary Event) as the Calculation Agent may select, the Calculation Agent may adjust the terms of the Conditions and/or the applicable Final Terms to include a share selected by it in accordance with the criteria for share selection set out below (the "**Substitute Shares**") in place of the Share(s) (the "**Affected Share(s)**") which are affected by the relevant Extraordinary Event and the Substitute Shares will be deemed to be "**Shares**" and the relevant issuer of such shares, a "**Share Company**" or a "**Basket Company**" for the purposes of the Securities, and the Calculation Agent will make such adjustment, if any, to the Relevant Asset, the Asset Amount, in the case of N&C Securities, the Entitlement, in the case of Warrants, any weighting applied to the Substitute Shares, any of the terms of the Conditions and/or the applicable Final Terms as the Calculation Agent in its sole and absolute

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discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner) determines appropriate and shall determine the effective date (the "**Substitution Date**") for such substitution, provided that in the event that any amount payable under the Securities was to be determined by reference to an initial price or value of the Affected Share (the "**Initial Price**"), and unless the Calculation Agent determines this would be inappropriate or impracticable (in which case, the Calculation Agent may select such other methodology as it determines appropriate), the Initial Price of each Substitute Share will be determined by the Calculation Agent in accordance with the following formula;

$$\text{Initial Price} = A \times (B / C)$$

*Where:*

"A" is the official closing price of the relevant Substitute Share on the relevant Exchange on the Substitution Date;

"B" is the Initial Price of the relevant Affected Share; and

"C" is the official closing price of the relevant Affected Share on the relevant Exchange on the Substitution Date.

Such substitution and the relevant adjustment to the basket of Shares will be deemed to be effective as of the date selected by the Calculation Agent (the "**Substitution Date**") in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner) and specified in the notice referred to in the final paragraph of this Equity Linked Condition 5 which may, but need not, be the Merger Date or Tender Offer Date or the date of such Extraordinary Event, as applicable.

Unless the Calculation Agent determines this would be inappropriate (in which case, the Calculation Agent may select such other methodology as it determines appropriate), the weighting of each Substitute Share will be equal to the weighting of the relevant Affected Share.

In order to be selected as a Substitute Share, the relevant share must be a share which, in the sole and absolute discretion of (or, in the case of Italian Securities, as determined in good faith and in a reasonable manner by) the Calculation Agent:

1. is not already comprised in the basket of Shares;
2. the relevant issuer in respect of which belongs to a similar economic sector as the Share Company or Basket Company in respect of the Affected Share; and
3. the relevant issuer in respect of which is of comparable market capitalisation, international standing and exposure as the Share Company or Basket Company in respect of the Affected Share ignoring for this purpose the occurrence of the relevant Merger Event, Tender Offer or Extraordinary Event.

Upon the occurrence of an Extraordinary Event, the Issuer shall give notice as soon as practicable to the Securityholders in accordance with N&C Security Condition 14 (Notices or Warrant Condition 11 (Notices), as applicable, stating the occurrence of the Extraordinary Event giving details thereof and the action proposed to be taken in relation thereto, *provided that* any failure to give, or non-receipt of, such notice will not affect the validity of the Extraordinary Event or the proposed action.

## **6. CORRECTION OF SHARE PRICE**

With the exception of any corrections published after the day which is three (3) Exchange Business Days prior to the Maturity Date, in the case of N&C Securities, or Settlement Date, in the case of Warrants, if the price of the relevant Share published on a given day and used or to be used by the Calculation Agent to make any determination under the Securities, is subsequently corrected and the correction published by the relevant Exchange within one Settlement Cycle after the original publication, the Calculation Agent may make any adjustments to the Conditions and/or adjust any subsequent

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payments under the Securities, as it may determine appropriate to take into account such correction(s). The price to be used shall be the price of the relevant Share as so corrected. Corrections published after the day which is three (3) Exchange Business Days prior to a due date for payment under the Securities calculated by reference to the price of a Share, will be disregarded by the Calculation Agent for the purposes of determining the relevant amount to be paid.

### 7. **ADDITIONAL DISRUPTION EVENTS**

**"Additional Disruption Event"** means:

- (A) if "Elected Events Only" is specified in the applicable Final Terms, any of Analogous Event, Change in Law, Currency Event, Failure to Deliver, Force Majeure Event, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Insolvency Filing, Jurisdiction Event, Loss of Stock Borrow, Stop-Loss Event, any Specified Additional Disruption Event and/or, if applicable pursuant to Equity Linked Condition 2, a Termination or an Adjustment Event but in each case, only to the extent that such events are specified as Additional Disruption Events in the applicable Final Terms; or
- (B) if "Elected Events Only" is specified not to apply in the applicable Final Terms, any of Analogous Event, Change in Law, Currency Event, Failure to Deliver, Force Majeure Event, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Insolvency Filing, Jurisdiction Event, Loss of Stock Borrow, Stop-Loss Event (but, in the case of a Stop-Loss Event, only if specified as applicable in the applicable Final Terms) and/or any Specified Additional Disruption Event and/or, if applicable pursuant to Equity Linked Condition 2, a Termination or an Adjustment Event.

#### **Consequences of an Additional Disruption Event**

- (a) If an Additional Disruption Event occurs, the Issuer in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner) may take the action described in (i), or (ii) below:
  - (i) require the Calculation Agent to determine in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner) the appropriate adjustment, if any, to be made to any one or more of (A) any Relevant Asset and/or the Asset Amount (in each case with respect to Physical Delivery N&C Securities), (B) any Relevant Asset and/or Entitlement (in each case with respect to Physical Delivery Warrants) and/or (C) any of the other terms of the Conditions and/or the applicable Final Terms to account for the Additional Disruption Event and determine the effective date of that adjustment. Without limitation, the Calculation Agent may take into account any amounts of Local Taxes that would, in the determination of the Calculation Agent, be withheld from or paid or otherwise incurred by an Offshore Investor in connection with such Additional Disruption Event; or
  - (ii) redeem or cancel the Securities, as the case may be, by giving notice to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable. If the Securities are so redeemed or cancelled, as the case may be, the Issuer will pay an amount to each Securityholder in respect of each Security held by him which amount shall be the Early Redemption Amount, in the case of N&C Securities, or Early Cancellation Amount, in the case of Warrants, determined by taking into account the Additional Disruption Event. Payments will be made in such manner as shall be notified to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable.
- (b) Upon the occurrence of an Additional Disruption Event, the Issuer shall give notice as soon as practicable to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable stating the occurrence of the Additional Disruption Event giving details thereof and the action proposed to be taken in relation thereto provided that any failure to give, or non-receipt of, such notice will not affect the validity of the Extraordinary Event or the proposed action.

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### 8. DEFINITIONS RELATING TO DIVIDENDS

The following definitions may be used in connection with Equity Linked Securities if so specified in the applicable Final Terms:

**"Currency Business Day"** means any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre for the relevant currency. In respect of any relevant amount in euro, any day on which the TARGET2 System is open.

**"Dividend Amount"** means, in respect of the relevant Share, the related Dividend Period and the related Dividend Payment Date, the Record Amount, the Ex Amount or the Paid Amount, as specified in the applicable Final Terms or any other amount determined as provided in the applicable Final Terms, or included as part of an adjustment pursuant to Equity Linked Condition 4.

**"Dividend Payment Date"** means, in respect of a Dividend Period, each date specified or otherwise determined as provided in the applicable Final Terms or, if such date is not a Currency Business Day, the next following Currency Business Day. If no such date is specified in the applicable Final Terms the Dividend Payment Date shall be (i) in the case of N&C Securities, the Interest Payment Date relating to the Dividend Period and (ii) in the case of Warrants, the Valuation Date falling closest in time to the last day of the relevant Dividend Period.

**"Dividend Period"** means, the First Period or the Second Period, as specified in the applicable Final Terms, or such other period determined as provided in the applicable Final Terms. If no Dividend Period is specified in the applicable Final Terms, the Dividend Period will be the Second Period.

**"Ex Amount"** means, in relation to a Dividend Amount, 100 per cent. of the gross cash dividend per Share declared by the Share Company or Basket Company to holders of record of a Share where the date that the Shares have commenced trading ex-dividend on the Exchange occurs during the relevant Dividend Period.

**"Excess Dividend Amount"** means, in respect of a Dividend Period, the Extraordinary Dividend Record Amount, the Extraordinary Dividend Ex Amount or the Extraordinary Dividend Paid Amount, as specified in the applicable Final Terms, or any other amount determined as provided in the applicable Final Terms.

**"Extraordinary Dividend"** means an amount per Share specified or otherwise determined as provided in the applicable Final Terms. If no Extraordinary Dividend is specified in or otherwise determined as provided in the applicable Final Terms, the characterisation of a dividend or portion thereof as an Extraordinary Dividend shall be determined by the Calculation Agent acting in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner).

**"Extraordinary Dividend Ex Amount"** means, in relation to an Excess Dividend Amount, 100 per cent. of the Extraordinary Dividend per Share declared by the Share Company or Basket Company to holders of record of a Share where the date that the Shares have commenced trading ex-dividend on the relevant Exchange occurs during the relevant Dividend Period.

**"Extraordinary Dividend Paid Amount"** means, in relation to an Excess Dividend Amount 100 per cent. of the Extraordinary Dividend per Share paid by the Share Company or Basket Company during the relevant Dividend Period to holders of record of a Share.

**"Extraordinary Dividend Record Amount"** means, in relation to an Excess Dividend Amount 100 per cent. of the Extraordinary Dividend per Share declared by the Share Company or Basket Company to holders of record of a Share on any record date occurring during the relevant Dividend Period.

**"First Period"** means each period from, and including, (a) in the case of N&C Securities, one Interest Payment Date or (b) in the case of Warrants, one Valuation Date to, but excluding, (I) in the case of N&C Securities, the next following Interest Payment Date or (II) in the case of Warrants, the next following Valuation Date, except that (i) the initial Dividend Period will commence on, and include, the Clearance System Business Day that is one Settlement Cycle following the Trade Date



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and (ii) the final Dividend Period will end on, but exclude, (A) in the case of N&C Securities, the final Interest Payment Date or (B) in the case of Warrants, the final Valuation Date.

**"Paid Amount"** means, in relation to a Dividend Amount, 100 per cent. of the gross cash dividend per Share paid by the Share Company or Basket Company during the relevant Dividend Period to holders of record of a Share.

Any **"gross cash dividend"** shall represent a sum before the withholding or deduction of taxes at the source by or on behalf of any applicable authority having power to tax in respect of such a dividend, and shall exclude any imputation or other credits, refunds or deductions granted by any applicable authority having power to tax in respect of such dividend and any taxes, credits, refunds or benefits imposed, withheld, assessed or levied thereon. In addition, "gross cash dividends" shall exclude Extraordinary Dividends and Excess Dividend Amounts, if any, unless otherwise provided in the applicable Final Terms.

**"Record Amount"** means, in relation to a Dividend Amount, 100 per cent. of the gross cash dividend per Share declared by the Share Company or Basket Company to holders of record of a Share on any record date occurring during the relevant Dividend Period.

**"Second Period"** means each period from, but excluding, one Valuation Date to, and including, the next Valuation Date, except that (i) the initial Dividend Period will commence on, but exclude, the Trade Date and (ii) the final Dividend Period will end on, and include, (a) the final Valuation Date, (b) in respect of Physical Delivery N&C Securities, the date that is one Settlement Cycle prior to the Maturity Date or (c) in respect of Physical Delivery Warrants, the date that is one Settlement Cycle prior to the Settlement Date.

### 9. NON-EURO QUOTED SHARES

In respect of Securities relating to Shares 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 (as defined in N&C Security Condition 17.2 or Warrant Condition 15(B), as applicable, if such shares are at any time after the Trade Date quoted, listed and/or dealt exclusively in euro on the relevant Exchange or, where no Exchange is specified in the applicable Final Terms, the principal market on which those Shares are traded, then the Calculation Agent may adjust any of the terms of the Conditions and/or the applicable Final Terms as the Calculation Agent determines in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner) to be appropriate to preserve the economic terms of the Securities. The Calculation Agent will make any conversion necessary for purposes of any such adjustment as of the relevant Valuation Time (or such other time as the Calculation Agent determines appropriate) at an appropriate mid-market spot rate of exchange determined by the Calculation Agent prevailing as of such time. No adjustments under this provision will affect the currency denomination of any payment obligation arising out of the Securities.

### 10. DEFINITIONS

Unless otherwise specified in the applicable Final Terms:

**"Analogous Event"** means any event analogous to any of the Additional Disruption Events: Change in Law, Currency Event, Failure to Deliver, Force Majeure Event, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow and Loss of Stock Borrow, in each case if such Additional Disruption Event is specified as applicable in the applicable Final Terms, all as determined by the Calculation Agent;

**"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 as applying in the applicable Final Terms, then such date will be deemed not to be an Averaging Date for the purposes of determining the relevant Settlement Price provided that, if through the operation of this provision no Averaging Date would occur, then the provisions of the definition of "Valuation

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Date" will apply for 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 as applying in the applicable Final Terms, then the provisions of the definition of "Valuation Date" will apply for the 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 as applying in the applicable Final Terms then:
  - (i) where the Securities relate to a single share, the Averaging Date shall be the first succeeding Valid Date (as defined below). If the first succeeding Valid Date has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption 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 last such consecutive Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that last such consecutive Scheduled Trading Day is already an Averaging Date), and (B) the Calculation Agent shall determine the relevant level or price for that Averaging Date in accordance with sub-paragraph (a) of the definition of "Valuation Date" below; or
  - (ii) where the Securities relate to a basket of Shares, the Averaging Date for each Share 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 each Share affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date (as defined below) in relation to such Share. If the first succeeding Valid Date in relation to such Share has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption 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 last such consecutive Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether that last such consecutive Scheduled Trading Day is already an Averaging Date) in respect of such Share, and (B) the Calculation Agent shall determine the relevant level, price or amount for that Averaging Date in accordance with sub-paragraph (b) of the definition of "Valuation Date" below; and
  - (iii) for the purposes of these Equity Linked Conditions, "**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.

"**Basket Company**" means a company whose shares are included in the basket of Shares and "**Basket Companies**" means all such companies;

"**Bloomberg Screen**" shall mean, when used in connection with any designated page, specified in the applicable Final Terms, the display page so designated on the Bloomberg service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, in all cases for the purpose of displaying comparable rates in succession thereto).

"**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 (i) it has become illegal to hold, acquire or dispose of any relevant Share and/or (ii) the Hedging Party will incur a materially increased cost in performing its obligations in relation to the Securities (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 or any Hedging Party), or (iii) the performance of the Guarantor under the Guarantee has become unlawful.

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"**Clearance System**" shall mean any one of Euroclear, Clearstream, Luxembourg or any other relevant clearance systems specified as such in the applicable Final Terms or any successor to such clearance system.

"**Clearance System Business Day**" means, in respect of a Clearance System, any day on which such Clearance System is (or, but for the occurrence of a settlement disruption event, would have been) open for acceptance and execution of settlement instructions.

"**Closing Price**" means, in relation to a Share:

- (a) if the relevant Exchange is the Tokyo Stock Exchange or the Osaka Securities Exchange, the last traded price of such Share for the day quoted by the Exchange, provided however, that if there is a closing special quote on such Shares quoted by the Exchange (*tokubetsu kehaine*), such quote shall be deemed to be the relevant Closing Price;
- (b) if the relevant Exchange is the Italian Stock Exchange, the *Prezzo di Riferimento*, which means the price as published by the Italian Stock Exchange at the close of trading and having the meaning ascribed thereto in the Rules of the Markets organised and managed by the Italian Stock Exchange, as such Rules may be amended by the Borsa Italiana S.p.a. from time to time; or
- (c) in any other case, the official closing price of such Share on the relevant Exchange.

"**Currency Event**" means that, on or after the Trade Date, it has become impracticable, illegal or impossible (a) for the Issuer or any of its Affiliates or Hedging Party to convert the relevant currency ("**Local Currency**") in which the Shares or any options or futures contracts or other hedging arrangement in relation to the Shares are denominated, into the currency required for settlement of the Securities ("**Settlement Currency**"), or exchange or repatriate any funds in the Local Currency or the Settlement Currency outside of the country in which the Shares or any options or futures contracts in relation to the Shares are traded due to the adoption of, or any change in, any applicable law, rule, regulation, judgment, order, directive or decree of any Government Authority or otherwise, or (b) for the Calculation Agent to determine a rate or (in the determination of the Calculation Agent) a commercially reasonable rate at which the Local Currency can be exchanged for the Settlement Currency for payment under the Securities, all as determined by the Calculation Agent.

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

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

"**Exchange**" means, in relation to a Share, each exchange or quotation system specified as such for such Share 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 Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange).

"**Exchange Business Day**" means either (a) in the case of a single Share, Exchange Business Day (Single Share Basis) or (b) in the case of a basket of Shares, (i) Exchange Business Day (All Shares Basis) or (ii) Exchange Business Day (Per Share Basis), in each case as specified in the applicable Final Terms provided that if, in the case of (b), no such specification is made in the applicable Final Terms, Exchange Business Day (All Shares Basis) shall apply.

"**Exchange Business Day (All Shares Basis)**" means, in respect of a basket of Shares, any Scheduled Trading Day on which each relevant Exchange and each Related Exchange (if any) in respect of all Shares comprised in the basket of Shares is open for trading during its regular trading session, notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time.

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**"Exchange Business Day (Per Share Basis)"** means, in respect of a Share, any Scheduled Trading Day on which the relevant Exchange and each Related Exchange (if any) in respect of such Share is open for trading during its regular trading session, notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time.

**"Exchange Business Day (Single Share Basis)"** means any Scheduled Trading Day on which the relevant Exchange and each Related Exchange (if any) is open for trading during its regular trading session, notwithstanding any such relevant Exchange or 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 (a) to effect transactions in, or obtain market values for, the Shares on the relevant Exchange or (b) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Share on any relevant Related Exchange.

**"Failure to Deliver"** means failure of the Hedging Party to deliver, when due, the Relevant Assets comprising the Asset Amount (in the case of N&C Securities) or the Entitlement (in the case of Warrants), where such failure to deliver is due to illiquidity in the market for such Shares.

**"Final Valuation Date"** means the date specified as a Final Valuation Date in the applicable Final Terms, which, unless otherwise specified in the applicable Final Terms, shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Linked Conditions.

**"Force Majeure Event"** means that on or after the Trade Date, the performance of the Issuer's obligations under the Securities or the Hedging Agreement or the performance of the Hedging Party's obligations under the Hedging Agreement is prevented or materially hindered or delayed due to (a) any act (other than a Market Disruption Event), law, rule, regulation, judgment, order, directive, interpretation, decree or material legislative or administrative interference of any Government Authority or otherwise, or (b) the occurrence of civil war, disruption, military action, unrest, political insurrection, terrorist activity of any kind, riot, public demonstration and/or protest, or any other financial or economic reasons or any other causes or impediments beyond the Issuer's control, or (c) any expropriation, confiscation, requisition, nationalisation or other action taken or threatened by any Government Authority that deprives the Issuer or the Hedging Party and/or any of its Affiliates of all or substantially all of its assets in a relevant or connected jurisdiction.

**"Government Authority"** means any nation, state or government, any province or other political subdivision thereof, any body, agency or ministry, any taxing, monetary, foreign exchange or other authority, court, tribunal or other instrumentality and any other entity exercising, executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

**"Hedging Agreement"** means any transaction that hedges the equity price risk or any other relevant price risk including but not limited to the currency risk of the Issuer issuing and performing its obligations with respect to the Securities.

**"Hedging Disruption"** means that the Hedging Party is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk or any other relevant price risk including but not limited to the currency risk of the Issuer issuing and performing its obligations with respect to the Securities, or (b) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s), as determined by the Calculation Agent.

**"Hedging Party"** means at any relevant time, the Issuer or any of its Affiliates or any other party providing the Issuer directly or indirectly with hedging arrangements in relation to the Securities as the Issuer may select at such time.

**"Hedging Shares"** means the number of Shares that the Issuer deems necessary to hedge the equity or other price risk of entering into and performing its obligations with respect to the Securities.

**"Increased Cost of Hedging"** means that the Hedging Party 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)

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acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, equity price risk, foreign exchange risk and interest rate risk) of the Issuer issuing and performing its obligations with respect to the Securities, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

**"Increased Cost of Stock Borrow"** means that the Hedging Party would incur a rate to borrow any Share that is greater than the Initial Stock Loan Rate.

**"Initial Stock Loan Rate"** means, unless otherwise specified in the applicable Final Terms, and in respect of a Share, the rate which the Hedging Party would have incurred to borrow such Share in any Relevant Market, as of the Trade Date, as determined by the Calculation Agent.

**"Initial Valuation Date"** means the date specified as an Initial Valuation Date in the applicable Final Terms, which, unless otherwise specified in the applicable Final Terms, shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Linked Conditions.

**"Insolvency Filing"** means that a Share Company or Basket Company, as the case may be, 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 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 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 Share Company or Basket Company shall not be deemed an Insolvency Filing.

**"Intraday Price"** means the price of a Share observed by the Calculation Agent at any time during the regular trading session hours of the relevant Exchange, without regard to after hours or any other trading outside of the regular trading session hours.

**"Jurisdiction Event"** means that, on or after the Trade Date, it has become impracticable, illegal or impossible for the Issuer or any of its Affiliates or the Hedging Party to purchase, sell, hold or otherwise deal (or to continue to do so in the future) in the Shares or any options or futures contracts in relation to the Shares in order for the Issuer to perform its obligations under the Securities or in respect of any relevant hedging arrangements in connection with the Securities (including, without limitation, any purchase, sale or entry into or holding of one or more securities positions, currency positions, stock loan transactions, derivatives position or other instruments or arrangements (however described) by the Issuer and/or any of its Affiliates in order to hedge, either individually or on a portfolio basis, the Securities) or the costs of so doing would (in the sole and absolute determination of (or, in the case of Italian Securities, as determined in good faith and in a reasonable manner by) the Calculation Agent) be materially increased under the restriction or limitation of the existing or future law, rule, regulation, judgment, order, interpretation, directive or decree of any Government Authority or otherwise, all as determined by the Calculation Agent.

**"Local Jurisdiction"** has the meaning given in the definition of Offshore Investor.

**"Local Taxes"** shall mean taxes, duties, and similar charges imposed by the taxing authority of the country in which the Basket Company or the Share Company, as the case may be, has been incorporated or in which the relevant Exchange is located.

**"Loss of Stock Borrow"** means that the Hedging Party is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) any Share in an amount equal to the Hedging Shares at a rate equal to or less than the Maximum Stock Loan Rate.

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**"Maximum Stock Loan Rate"** means, unless otherwise specified in the applicable Final Terms, and in respect of a Share, the lowest rate which the Hedging Party, after using commercially reasonable efforts, would have incurred to borrow such Share in any Relevant Market, in an amount equal to the Hedging Shares, as of the Trade Date, as determined by the Calculation Agent.

**"Observation Period"** means the period specified as the Observation Period in the applicable Final Terms.

**"Offshore Investor"** shall mean a holder of Shares who is an institutional investor not resident in the country in which the Basket Company or the Share Company, as the case may be, has been incorporated or in which the relevant Exchange is located (the **"Local Jurisdiction"**), for the purposes of the tax laws and regulations of the Local Jurisdiction and, for the avoidance of doubt, whose jurisdiction of residence (i) shall be determined by the Calculation Agent in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner) and (ii) may be the jurisdiction of a Hedging Party.

**"Related Exchange"** means, in relation to a Share, each exchange or quotation system on which option contracts or futures contracts relating to such Share are traded, or each exchange or quotation system specified as such for such Share 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 Share 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 Share 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 Share.

**"Relevant Market"** means, for the purpose of determining any value or other amount pursuant to these Equity Linked Conditions, any relevant quotation system, exchange, dealing system, screen page, over-the-counter derivatives or other market which the Calculation Agent determines appropriate for such purpose and which it may select taking into account hedging arrangements of the Issuer and/or its Affiliates for the Securities.

**"Relevant Time"** means, in relation to a Share, the time specified as such in the applicable Final Terms.

**"Reuters Screen"** shall mean, when used in connection with any designated page, specified in the applicable Final Terms, the display page so designated on the Reuters Money Market Rate Services or such other services or service as may be nominated as the information vendor for the purpose of displaying the specific page on that service or such other page as may be replace that page on that service or such other service, in all cases for the purpose of displaying comparable rates in succession thereto.

**"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 Observation Date"** means each date specified as a Scheduled Observation Date in the applicable Final Terms, which, unless otherwise specified in the applicable Final Terms, shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Linked Conditions.

**"Scheduled Trading Day"** means either (a) in the case of a single Share, Scheduled Trading Day (Single Share Basis) or (b) in the case of a basket of Shares, (i) Scheduled Trading Day (All Shares Basis) or (ii) Scheduled Trading Day (Per Share Basis), in each case as specified in the applicable Final Terms, provided that if, in the case of (b), no such specification is made in the applicable Final Terms, Scheduled Trading Day (All Shares Basis) shall apply.

**"Scheduled Trading Day (All Shares Basis)"** means, in respect of a basket of Shares, any day on which each Exchange and each Related Exchange (if any) in respect of all Shares comprised in the basket of Shares is scheduled to be open for trading for its regular trading session.

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**"Scheduled Trading Day (Per Share Basis)"** means, in respect of a Share, any day on which the relevant Exchange and each Related Exchange (if any) in respect of such Share is scheduled to be open for trading for its regular trading session.

**"Scheduled Trading Day (Single Share Basis)"** means any day on which the relevant Exchange and each relevant Related Exchange (if any) is scheduled to be open for trading during its regular trading session.

**"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.

**"Screen Page"** means the page specified in the applicable Final Terms, or any successor page or service thereto.

**"Settlement Cycle"** means, in respect of any Share, the period of Clearance System Business Days following a trade in Shares on the Exchange in which settlement will customarily occur according to the rules of such Exchange.

**"Settlement Price"** means, unless otherwise specified in the applicable Final Terms and subject as referred to in "Valuation Date" below or "Averaging Date" above, as the case may be, in respect of a Share, an amount equal to the Closing Price (or the price at the Valuation Time on the Valuation Date or an Averaging Date, as the case may be, if so specified in the applicable Final Terms) quoted on the relevant Exchange for such Share on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date and (or if, in the opinion of the Calculation Agent, any such Closing Price (or 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) cannot be so determined and the Valuation Date or Averaging Date, as the case may be, is not a Disrupted Day, an amount determined by the Calculation Agent 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 Share based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Share or on such other factors as the Calculation Agent shall decide.

**"Shares"** and **"Share"** mean in the case of an issue of Securities relating to a basket of Shares, each share and, in the case of an issue of Securities relating to a single Share, the share, specified in the applicable Final Terms and related expressions shall be construed accordingly.

**"Share Company"** means, in the case of an issue of Securities relating to a single Share, the company that has issued such share.

**"Specified Additional Disruption Event"** means each event specified as a Specified Additional Disruption Event in the applicable Final Terms.

**"Specified Maximum Days of Disruption"** means the lesser of (a) either (i) eight (8) Scheduled Trading Days or (ii) such other number of Scheduled Trading Days specified as such in the applicable Final Terms and (b) such number of Scheduled Trading Days in the period from (but excluding) the Scheduled Valuation Date or Scheduled Averaging Date, as applicable to (but excluding) the third (3rd) Business Day prior to any due date for any payment under the Securities for which valuation on the relevant Averaging Date or Valuation Date is relevant, all as determined by the Calculation Agent.

**"Stop-Loss Event"** means the price of any Share as quoted on the relevant Exchange for such Share at any time or the Scheduled Closing Time, as specified in the applicable Final Terms, on any Scheduled Trading Day that is not a Disrupted Day in respect of such Share on or after the Trade Date or, if later the Strike Date, is less than 5.00 per cent., or (if different) such percentage specified in the applicable Final Terms, of its Strike Price or, if no Strike Price is stipulated in the applicable Final Terms, the price given as the Benchmark Price for such Share in the applicable Final Terms, all as determined by the Calculation Agent in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner).

**"Trade Date"** shall have the meaning specified in the applicable Final Terms.

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**"Trading Disruption"** means, 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 share or (b) in futures or options contracts relating to such share on any relevant Related Exchange.

**"Valuation Date"** means the date specified as such in the applicable Final Terms and otherwise in accordance with the above provisions or, if such day is not a Scheduled Trading Day, the immediately succeeding 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) in the case of Securities relating to a single Share, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (i) the last such consecutive 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 Settlement Price (including without limitation the conversion of such amount from or into any applicable currency) in the manner set out in the applicable Final Terms or, if not set out or if not practicable, determine the Settlement Price in accordance with its good faith estimate of the Settlement Price as of the Valuation Time on that the last such consecutive Scheduled Trading Day; or
- (b) in the case of Securities relating to a basket of Shares, the Valuation Date for each Share not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Share affected (each an "**Affected Item**") 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 Item unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day relating to the Affected Item. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date for the Affected Item, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Settlement Price using, in relation to the Affected Item, the level or value as applicable, 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 Item as of the Valuation Time on the last consecutive Scheduled Trading Day.

**"Valuation Time"** means 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 each Share to be valued provided that 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.

### **11. PHYSICAL DELIVERY N&C SECURITIES**

This Equity Linked Condition 11 will only apply to N&C Securities.

#### **(A) Physical Delivery**

##### **(1) Asset Transfer Notices**

In relation to Physical Delivery N&C Securities other than N&C Securities represented by a Rule 144A Global N&C Security, in order to obtain delivery of the Asset Amount(s) in respect of any N&C Security:

- (X) if such N&C Security is represented by a Global N&C Security, the relevant N&C Securityholder must deliver to Euroclear or Clearstream, Luxembourg (as applicable), with a copy to the Principal Paying Agent and Calculation Agent not later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice in the form set out in the Agency Agreement; and



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- (Y) if such N&C Security is in definitive form, the relevant N&C Securityholder must deliver (i) if this N&C Security is a Bearer N&C Security, to any Paying Agent or (ii) if this N&C Security is a Definitive Registered N&C Security, to the Registrar or any Paying Agent, in each case, with a copy to the Principal Paying Agent and Calculation Agent not later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice in the form set out in the Agency Agreement.

Copies of the Asset Transfer Notice may be obtained during normal business hours from the specified office of the Registrar or any Paying Agent.

An Asset Transfer Notice may only be delivered (i) if such N&C Security is represented by a Global N&C Security, in such manner as is acceptable to Euroclear or Clearstream, Luxembourg, as the case may be, or (ii) if such N&C Security is in definitive form, in writing.

If this N&C Security is in definitive form, this N&C Security must be delivered together with the duly completed Asset Transfer Notice.

The Asset Transfer Notice shall:

- (i) specify the name, address and contact telephone number of the relevant N&C Securityholder and the person from whom the Issuer may obtain details for the delivery of the Asset Amount;
- (ii) specify the series number of the N&C Securities and the number of N&C Securities which are the subject of such notice;
- (iii) in the case of N&C Securities represented by a Global N&C Security, specify the nominal amount or, in case of N&C Securities issued in units, number of N&C Securities which are the subject of such notice and the number of the N&C Securityholder's account at Euroclear or Clearstream, Luxembourg as the case may be to be debited with such N&C Securities and irrevocably instruct and authorise the relevant Clearance System to debit the relevant N&C Securityholder's account with such N&C Securities on or before the Delivery Date;
- (iv) include an undertaking to pay all Delivery Expenses (as defined below) and, in the case of N&C Securities represented by a Global N&C Security, an authority to Euroclear or Clearstream, Luxembourg, as the case may, be to debit a specified account of the N&C Securityholder with Euroclear or Clearstream, Luxembourg, as the case may be, in respect thereof and to pay such Delivery Expenses;
- (v) include such details as are required for delivery of the Asset Amount which may include account details and/or the name and address of any person(s) into whose name evidence of the Asset Amount is to be registered and/or any bank, broker or agent to whom documents evidencing the Asset Amount are to be delivered and specify the name and number of the N&C Securityholder's account to be credited with any cash payable by the Issuer, either in respect of any cash amount constituting the Asset Amount or any dividends relating to the Asset Amount or as a result of the occurrence of a Settlement Disruption Event and the Issuer electing to pay the Disruption Cash Redemption Amount;
- (vi) certify that the beneficial owner of each N&C Security is not a U.S. person (as defined in the Asset Transfer Notice), the N&C Security is not being redeemed within the United States or on behalf of a U.S. person and no cash, securities or other property have been or will be delivered within the United States or to, or for the account or benefit of, a U.S. person in connection with any redemption thereof;

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- (vii) authorise the production of such certification in any applicable administrative or legal proceedings,

all as provided in the Agency Agreement.

(2) Verification of the N&C Securityholder

In the case of N&C Securities represented by a Global N&C Security, upon receipt of an Asset Transfer Notice, Euroclear or Clearstream, Luxembourg as the case may be shall verify that the person delivering the Asset Transfer Notice is the holder of the N&C Securities described therein according to its records. Subject thereto, Euroclear or Clearstream, Luxembourg as the case may be will confirm to the Principal Paying Agent the series number and number of N&C Securities which are the subject of such notice, the relevant account details and the details for the delivery of the Asset Amount of each N&C Security. Upon receipt of such confirmation, the Principal Paying Agent will inform the Issuer thereof. Euroclear or Clearstream, Luxembourg as the case may be will on or before the Delivery Date debit the securities account of the relevant N&C Securityholder with the relevant N&C Securities.

(3) Determinations and Delivery Expenses

Any determination as to whether an Asset Transfer Notice is duly completed and in proper form shall be made, in the case of N&C Securities represented by a Global N&C Security, by Euroclear or Clearstream, Luxembourg, as the case may be or, in the case of N&C Securities in definitive form, by the relevant Paying Agent or the Registrar, as the case may be, in each case in consultation with the Principal Paying Agent, and shall be conclusive and binding on the Issuer, the Principal Paying Agent(s) and the relevant N&C Securityholder. Subject as set out below, any Asset Transfer Notice so determined to be incomplete or not in proper form, or which is not copied to the Principal Paying Agent immediately after being delivered or sent as provided in paragraph (1) above, shall be null and void.

If such Asset Transfer Notice is subsequently corrected to the satisfaction of, in the case of N&C Securities represented by a Global N&C Security, Euroclear or Clearstream, Luxembourg, as the case may be, or, in the case of N&C Securities in definitive form, by the relevant Paying Agent or the Registrar, as the case may be, in each case in consultation with the Principal Paying Agent, it shall be deemed to be a new Asset Transfer Notice submitted at the time such correction was delivered as provided above.

No Asset Transfer Notice may be withdrawn after receipt thereof by the relevant Clearance System, the Registrar or a Paying Agent, as the case may be, as provided above. After delivery of an Asset Transfer Notice, the relevant N&C Securityholder may not transfer the N&C Securities which are the subject of such notice.

All costs, taxes, duties and/or expenses including any applicable depositary charges, transaction or exercise charges, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or other costs, duties or taxes which the Calculation Agent determines may be or would be, or would have been incurred (i) in connection with the redemption of the N&C Securities and/or the delivery of the Asset Amount in respect of such N&C Securities and (ii) by the Issuer or any Affiliate had such entity unwound or varied any underlying related hedging arrangements in respect of the N&C Security ("**Delivery Expenses**") shall be for the account of the relevant N&C Securityholder and no Asset Amount will be deliverable until the relevant Delivery Expenses have been met or otherwise accounted for to the satisfaction of the Issuer.

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- (4) Delivery
- (a) Subject to:
  - (i) an Asset Transfer Notice having been duly delivered as provided above on or prior to the Cut-Off Date; and
  - (ii) all Delivery Expenses having been paid or otherwise accounted for to the satisfaction of the Issuer by the relevant N&C Securityholder,

the Issuer shall, at the risk of the relevant N&C Securityholder, deliver or procure the delivery of the Asset Amount for each N&C Security, pursuant to the details specified in the Asset Transfer Notice or in such commercially reasonable manner as the Calculation Agent shall in its sole discretion determine and notify to the person designated by the N&C Securityholder in the relevant Asset Transfer Notice, on the date fixed for redemption (such date, subject to adjustment in accordance with this Equity Linked Condition, the "**Delivery Date**"). Where the Asset Transfer Notice stipulates that the Asset Amount should be delivered to a specified clearing system, the Issuer's or the Guarantor's obligation to deliver such Asset Amount will be discharged by delivery to, or to the order of, the relevant clearing system and each of the persons shown in the records of the relevant clearing system as the account holder must look solely to the relevant clearing system for his share of any Asset Amount so delivered.

- (b) If a N&C Securityholder fails to give an Asset Transfer Notice as provided herein with a copy to the Principal Paying Agent, on or prior to the Cut-Off Date, then:
  - (i) the Issuer may elect, in its sole discretion to deliver or procure the delivery of the aggregate Asset Amounts for all such affected N&C Securities, at the risk of the relevant N&C Securityholder, to, or to the order of, the relevant Clearance System(s) in which the N&C Securities are held (and this may be after the date fixed for redemption) and its obligation to deliver any such Asset Amount so delivered shall be discharged thereby. Each of the persons shown in the records of the relevant Clearance System as the holder of a particular amount of the N&C Securities must look solely to the relevant Clearance System for his share of each such Asset Amount so delivered to, or to the order of, such Clearance System. For the purposes of paragraph (5) below, each Clearance System will be deemed to be a single N&C Securityholder and each Clearance System will be requested to divide and deliver such Asset Amounts in accordance with its rules; or
  - (ii) the Asset Amount will be delivered as soon as practicable after the date fixed for redemption (in which case, such date of delivery shall be the Delivery Date) at the risk of such N&C Securityholder in the manner provided in paragraph (a) above. For the avoidance of doubt, in such circumstances such N&C Securityholder shall not be entitled to any payment, whether of interest or otherwise, as a result of such Delivery Date falling after the date fixed for redemption and no liability in respect thereof shall attach to the Issuer.
- (c) To the extent that the Issuer is not satisfied that the Delivery Expenses have been or will be paid in full by the relevant N&C Securityholder on or prior to the relevant Delivery Date, the Issuer may, in its sole discretion, elect to reduce the Asset Amount(s) to be delivered by an amount(s) which by market value (determined at the time of reduction by reference to such valuation sources as the Issuer determines appropriate) in aggregate is at least equal to the aggregate Delivery Expenses that it determines, in its sole discretion, have not been paid or otherwise accounted for (the Asset Amount as so reduced, the "**Reduced Asset Amount**"). Where the Issuer elects to make such a reduction, in accordance with this Equity Linked Condition 11(A)(4)(c), the Issuer's obligation to deliver the Asset Amount(s) shall be discharged in full by delivery of the Reduced Asset Amount in accordance with the provisions of this Equity Linked Condition 11(A)(4). The provisions of paragraphs (5) and (6) of this Equity Linked Condition 11(A) and the provisions of Equity Linked Condition 11(B) shall apply *mutatis mutandis* to any such delivery of the Reduced Asset Amount.

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(5) General

For the purpose of determining the Asset Amounts in respect of the N&C Securities, N&C Securities held by the same N&C Securityholder will be aggregated. The aggregate Asset Amount(s) to be delivered in respect of each such aggregated holding will be rounded down to the nearest whole unit of the Relevant Asset (or, where there is more than one type of Relevant Asset, each of the Relevant Assets), as the case may be, in such manner as the Calculation Agent shall determine. Therefore, fractions of the Relevant Asset or of each of the Relevant Assets, as the case may be, will not be delivered but in lieu thereof the Issuer shall pay to the N&C Securityholders in respect of their respective holding an additional amount in the Specified Currency equal to the fair market value of such fraction(s) in such manner as shall be determined by the Calculation Agent in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner) and notified to N&C Securityholders in accordance with N&C Security Condition 14 (Notices).

Following the Delivery Date of a Share all dividends on the relevant Shares to be delivered will be payable to the party that would receive such dividend according to market practice for a sale of the Shares executed on the Delivery Date and to be delivered in the same manner as such relevant Shares. Any such dividends to be paid to a N&C Securityholder will be paid to the account specified by the N&C Securityholder in the relevant Asset Transfer Notice as referred to in Equity Linked Condition 11(A)(1) or otherwise paid to the relevant Clearance System for the account of N&C Securityholders.

For such period of time after delivery of the Asset Amount as the Issuer or any person acting on behalf of the Issuer shall continue to be the legal owner of the securities comprising the Asset Amount (the "**Intervening Period**"), none of the Issuer, the Paying Agents, the Registrar or any other person shall at any time (i) be under any obligation to deliver or procure delivery to any N&C Securityholder 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 N&C Securityholder in respect of any loss or damage which such N&C Securityholder 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 comprised in such Asset Amount or otherwise as specified in the applicable Final Terms.

(6) Settlement Disruption

If, in the opinion of the Calculation Agent, delivery of the Asset Amount using the method of delivery specified in the applicable Final Terms or such commercially reasonable manner as the Calculation Agent has determined is not practicable by reason of a Settlement Disruption Event (as defined below) having occurred and continuing on the Delivery Date, then the Delivery Date shall be postponed to the first following Settlement Business Day in respect of which there is no such Settlement Disruption Event unless there is a Settlement Disruption Event on each of the ten (10) Settlement Business Days immediately following the original date that, but for such Settlement Disruption Event, would have been a valid Delivery Date. In that case, (a) if the Asset Amount can be delivered in any other commercially reasonable manner, as determined by the Calculation Agent, the Issuer may elect in its sole discretion to satisfy its obligations in respect of the relevant N&C Security by delivering the Asset Amount using such other commercially reasonable manner as it may select and in such event the Delivery Date shall be the first day on which settlement of a sale of Relevant Assets comprising the Asset Amount executed on that tenth (10) Clearance System Business Day would customarily take place using such other commercially reasonable manner, and (b) if the Relevant Assets comprising the Asset Amount cannot be delivered in any other commercially reasonable manner, then the Delivery Date will be postponed until delivery can be effected in the manner contemplated in the Asset Transfer Notice or in any other commercially reasonable manner, as determined by the Calculation Agent. For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Relevant Assets comprising the Asset Amount, the Delivery Date for the Relevant Assets not affected by the Settlement Disruption Event will be the originally designated Delivery Date. For so long as delivery of

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the Asset Amount 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 N&C Security by payment to the relevant N&C Securityholder of the Disruption Cash Redemption Amount (as defined below) on the fifth (5th) Business Day following the date that notice of such election is given to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices). Payment of the Disruption Cash Redemption Amount will be made in such manner as shall be notified to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices). The Calculation Agent shall give notice as soon as practicable to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices) that a Settlement Disruption Event has occurred. No N&C Securityholder shall be entitled to any payment in respect of the relevant N&C Security in the event of any delay in the delivery of the Asset Amount due to the occurrence of a Settlement Disruption Event and no liability in respect thereof shall attach to the Issuer.

- (7) If any Security represented by a Rule 144A Global N&C Security is to be redeemed by delivery of an Asset Amount, the relevant provisions relating to such delivery shall be set out in the applicable Final Terms.

(B) Definitions specific to Physical Delivery

"**Agency Agreement**" has the meaning given in the N&C Security Conditions.

"**Asset Amount**" has the meaning specified in the applicable Final Terms.

"**Asset Transfer Notice**" shall mean the notice in the form set out in the Agency Agreement.

"**Cut-Off Date**" has the meaning specified in the applicable Final Terms.

"**Disruption Cash Redemption Amount**", in respect of any relevant N&C Security, shall be the Market Value of such N&C Security expressed in the Specified Currency (taking into account any relevant currency exchange rate and, where the Settlement Disruption Event affected some but not all of the Shares comprising the Asset Amount and such non affected Shares have been duly delivered as provided above, the value of such Shares), all as determined by the Calculation Agent in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner).

"**Settlement Business Day**" has the meaning specified in the applicable Final Terms.

"**Settlement Disruption Event**" means, in the opinion of the Calculation Agent, an event beyond the control of the Issuer as a result of which the Issuer cannot make delivery of the Asset Amount(s) using the method specified in the applicable Final Terms.

## 12. VARIATION OF SETTLEMENT

This Equity Linked Condition 12 will only apply to N&C Securities.

If the applicable Final Terms indicate that the Issuer has the option to vary settlement in respect of the N&C Securities, the Issuer may at its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner) in respect of each such N&C Security give notice pursuant to Condition 14 (Notices) no later than the second (2) Business Day prior to the Maturity Date that the N&C Securities shall be (x) Cash Settled N&C Securities instead of Physical Delivery N&C Securities or (y) Physical Delivery N&C Securities instead of Cash Settled N&C Securities and in this case the provisions of Equity Linked Condition 1(b)(A) or (B) (*Equity Linked Redemption N&C Securities*) respectively shall apply.

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### EQUITY INDEX TECHNICAL ANNEX

#### ADDITIONAL TERMS AND CONDITIONS FOR EQUITY INDEX LINKED SECURITIES

The terms and conditions applicable to Equity Index Linked Securities shall comprise (a) the General Terms and Conditions of the N&C Securities (the "**N&C Security Conditions**") and the additional Terms and Conditions set out below (the "**Equity Index Linked Conditions**") or (b) the General Terms and Conditions of the Warrants (the "**Warrant Conditions**") and the Equity Index Technical Conditions, in each case, together with the Terms and Conditions as set out in each other Technical Annex which is specified as applicable in the applicable Final Terms (together with, (i) the N&C Security Conditions and the Equity Index Linked Conditions, or (ii) the Warrant Conditions and the Equity Index Linked Conditions, as the case may be, the "**Conditions**") and, in each case subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the N&C Security Conditions or Warrant Conditions, as applicable, and the Equity Index Linked Conditions, the Equity Index Linked Conditions set out below shall prevail. In the event of any inconsistency between (i) the N&C Security Conditions or Warrant Conditions, as applicable, and/or the Equity Index Linked Conditions and (ii) the Final Terms, the Final Terms shall prevail. References in the Equity Index Linked Conditions to "Security" and "Securities" shall be deemed to be references to "N&C Security" and "N&C Securities" or "Warrant" and "Warrants" as the context admits and references to "Securityholder" shall be deemed to be references to "N&C Securityholder" or "Warrantholder" as the context admits.

References below to a numbered N&C Security Condition or Warrant Condition, as the case may be, are to such numbered section of the N&C Security Conditions or Warrant Conditions, as applicable, and references to a numbered Equity Index Linked Condition are to such numbered section as set out in this Equity Index Technical Annex.

Defined terms used in this Technical Annex where the same term may be used in another Technical Annex (e.g. Valuation Date) shall have the meanings given in this Technical Annex or in the section of the Final Terms relating to Equity Index Linked Securities.

#### 1. EQUITY INDEX LINKED SECURITIES

This Equity Index Linked Condition 1 will apply to N&C Securities only.

##### (a) Equity Index Linked Interest N&C Securities

Unless previously redeemed or purchased and cancelled in accordance with the N&C Security Conditions or as specified in the applicable Final Terms and subject to these Equity Index Linked Conditions, each Equity Index Linked Interest N&C Security will bear interest in, or determined in the manner specified in, the applicable Final Terms and the N&C Security Conditions.

##### (b) Equity Index Linked Redemption N&C Securities

Unless previously redeemed or purchased and cancelled in accordance with the N&C Security Conditions or as specified in the applicable Final Terms and subject to these Equity Index Linked Conditions, each N&C Security 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.

#### 2. MARKET DISRUPTION

"**Market Disruption Event**" means, in relation to Securities relating to a single Index or basket of Indices:

##### (a) in respect of a Composite Index:

##### (i) (x) the occurrence or existence, in respect of any Component Security, of:

##### (A) 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

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the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;

- (B) 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 on which such Component Security is principally traded; or
  - (C) an Early Closure in respect of such Component Security; and
- (y) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20.00 per cent. or more of the level of such Index; or
- (ii) the occurrence or existence, in each case, in respect of futures or options contracts relating to such Index, of: (a) a Trading Disruption; (b) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one hour period that ends at the Valuation Time in respect of the Related Exchange; or (c) an Early Closure.

For the purposes of determining whether a Market Disruption Event exists in respect of a Component Security at any time, if a Market Disruption Event occurs in respect of such Component Security at that time, then the relevant percentage contribution of that Component Security to the level of such Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that Component Security to (y) the overall level of such Index, in each case using the official opening weightings as published by the Index Sponsor as part of the market "opening data"; and

- (b) in the case of Non-Composite Indices, the occurrence or existence of (1) at any time during the one hour period that ends at the relevant Valuation Time (i) a Trading Disruption or (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, or (2) an Early Closure.

For the purposes of determining whether a Market Disruption Event exists at any time, if a Market Disruption Event occurs in respect of a Component Security included in such Index at any time, then the relevant percentage contribution of that Component Security to the level of such Index shall be based on a comparison of (x) the portion of the level of such Index attributable to that Component Security and (y) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event. For the purposes of determining whether a Market Disruption Event in respect of such Index exists at any time, if a Market Disruption Event occurs in respect of a Component Security included in such Index at any time, then the relevant percentage contribution of that Component Security to the level of such Index shall be based on a comparison of (i) the portion of the level of such Index attributable to that Component Security and (ii) the overall level of the Index, in each case immediately before the occurrence of such Market Disruption Event. The Calculation Agent shall give notice as soon as practicable to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable, 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.

### **3. ADJUSTMENTS TO AN INDEX**

- (a) Successor Index Sponsor Calculates and Reports an Index

If a relevant Index is:

- (i) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Calculation Agent; or
- (ii) 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,

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then in each case that Index (the "**Successor Index**") will be deemed to be the Index.

(b) **Modification and Cessation of Calculation of an Index**

If, in the determination of the Calculation Agent,

- (i) on or prior to the last Valuation Date or the last 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
- (ii) the relevant Index Sponsor permanently cancels a relevant Index and no Successor Index exists (an "**Index Cancellation**"); or
- (iii) on any Valuation Date or any Averaging Date, the Index Sponsor or (if applicable) the successor sponsor fails to calculate and announce a relevant Index (an "**Index Disruption**" and, together with an Index Modification and an Index Cancellation, and any other events specified as such in the applicable Final Terms, each an "**Index Adjustment Event**");

then the Calculation Agent shall:

- (A) determine if such Index Adjustment Event has a material effect on the Securities and, if so, shall calculate the relevant Index Level using, in lieu of a published level for that Index, the level for that Index as at the Valuation Time on that Valuation Date or 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 Component Securities that comprised that Index immediately prior to that Index Adjustment Event;
- (B) replace the Index by a new Index provided that such index is (a) representative of the same economic or geographic sector (as the case may be), and (b) to the extent possible, representative of securities/components listed on one or more exchanges of one or more OECD countries and make relevant adjustments to the Conditions to account for such replacement; or
- (C) on giving notice to Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable, the Issuer shall redeem or cancel, as the case may be, all but not some only of the Securities, each Security being redeemed by payment of the relevant Early Redemption Amount, in the case of N&C Securities, or relevant Early Cancellation Amount, in the case of Warrants.

(c) **Notice**

The Calculation Agent shall, as soon as practicable, notify the relevant Agent of any determination made by it pursuant to paragraph (b) above and the action proposed to be taken in relation thereto and such Agent shall make available for inspection by Securityholders copies of any such determinations.

#### **4. CORRECTION OF INDEX**

With the exception of any corrections published after the day which is three (3) Exchange Business Days prior to (i) in the case of N&C Securities, the Maturity Date or (ii) in the case of Warrants, the Settlement Date, if the level of the Index published on a given day and used or to be used by the Calculation Agent to make any determination under the Securities, is subsequently corrected and the correction published by the relevant Index Sponsor within one Settlement Cycle after the original publication, the level to be used for calculation of any relevant value in relation to the Securities shall be the level of the Index as so corrected and the Calculation Agent may make any relevant adjustment to the Conditions or any



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subsequent amount payable under the Securities to account therefor, as the Calculation Agent determines appropriate in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner).

### **5. ADDITIONAL DISRUPTION EVENTS**

**"Additional Disruption Event"** means:

- (A) if "Elected Events Only" is specified in the applicable Final Terms, any of Change in Law, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Loss of Stock Borrow and/or any Specified Additional Disruption Event but in each case, only to the extent that such events are specified as Additional Disruption Events in the applicable Final Terms; or
- (B) if "Elected Events Only" is specified not to apply in the applicable Final Terms, any of Change in Law, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Loss of Stock Borrow and/or any Specified Additional Disruption Event.

#### **Consequences of an Additional Disruption Event**

- (a) If an Additional Disruption Event occurs, the Issuer in its sole and absolute discretion may either:
  - (i) require the Calculation Agent to determine in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner) the appropriate adjustment, if any, to be made to any of the terms of the Securities to account for the Additional Disruption Event and determine the effective date of that adjustment; or
  - (ii) redeem or cancel, as the case may be, the Securities by giving notice to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable. If the Securities are so redeemed or cancelled, the Issuer will pay each Securityholder the Early Redemption Amount, in the case of N&C Securities, or Early Cancellation Amount, in the case of Warrants, in respect of each Security held by him. Payments will be made in such manner as shall be notified to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable.
- (b) Upon the occurrence of an Additional Disruption Event, the Issuer shall give notice as soon as practicable to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable stating the occurrence of the Additional Disruption Event giving details thereof and the action proposed to be taken in relation thereto.

### **6. INDEX DISCLAIMER**

The Securities are not sponsored, endorsed, sold or promoted by any Index or any Index Sponsor and no Index Sponsor makes any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Index and/or the levels at which the Index stands at any particular time on any particular date or otherwise. No Index or Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the Index and the Index Sponsor is under no obligation to advise any person of any error therein. No Index Sponsor is making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with the Securities. The Issuer (or, if applicable, the Guarantor) shall have no liability to the Securityholders for any act or failure to act by the Index Sponsor in connection with the calculation, adjustment or maintenance of the Index. Except as disclosed prior to the Issue Date specified in the applicable Final Terms, neither the Issuer (or, if applicable, the Guarantor) nor its Affiliates has any affiliation with or control over the Index or Index Sponsor or any control over the computation, composition or dissemination of the Index. Although the Calculation Agent will obtain information concerning the Indices from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer (or, if applicable, the Guarantor), its Affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Index.

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### 7. DEFINITIONS

Unless otherwise specified 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 as applying in the applicable Final Terms, then such date will be deemed not to be an Averaging Date for the purposes of determining the relevant Index Level provided that, if through the operation of this provision no Averaging Date would occur, then the provisions of the definition of "Valuation Date" will apply for 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 as applying in the applicable Final Terms, then the provisions of the definition of "Valuation Date" will apply for the 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 as applying in the applicable Final Terms then:
  - (i) where the Securities relate to a single Index, the Averaging Date shall be the first succeeding Valid Date (as defined below). If the first succeeding Valid Date has not occurred for a number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption 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 last such consecutive Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether such Scheduled Trading Day is already an Averaging Date), and (B) the Calculation Agent shall determine the relevant level or price for that Averaging Date in accordance with sub-paragraph (a)(ii) of the definition of "Valuation Date" below;
  - (ii) where the Securities 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 each Index affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date (as defined below) in relation to such Index. If the first succeeding Valid Date in relation to such Index has not occurred for a number of consecutive Scheduled Trading days equal to the Specified Maximum Days of Disruption 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 last such consecutive Scheduled Trading Day shall be deemed the Averaging Date (irrespective of whether such Scheduled Trading Day is already an Averaging Date) in respect of such Index, and (B) the Calculation Agent shall determine the relevant level, price or amount for that Averaging Date in accordance with sub-paragraph (b)(ii) of the definition of "Valuation Date" below; and
  - (iii) for the purposes of these Terms and Conditions "**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.

"**Bloomberg Screen**" shall mean, when used in connection with any designated page, specified in the applicable Final Terms, the display page so designated on the Bloomberg service (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, in all cases for the purpose of displaying comparable rates in succession thereto).

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**"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 (i) it has become illegal for it or any of its Affiliates or Hedging Party to hold, acquire or dispose of any Component Security or the relevant hedge positions relating to an Index, or (ii) the Hedging Party will incur a materially increased cost in performing its obligations in relation to the Securities (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 or Hedging Party), or (iii) the performance of the Guarantor under the Guarantee has become unlawful.

**"Clearance System"** shall mean any one of Euroclear, Clearstream, Luxembourg or any other relevant clearance systems specified as such in the applicable Final Terms or any successor to such clearance system.

**"Clearance System Business Day"** means, in respect of a Clearance System, any day on which such Clearance System is (or, but for the occurrence of a settlement disruption event, would have been) open for acceptance and execution of settlement instructions.

**"Closing Level"** means, unless otherwise specified in the applicable Final Terms, and subject as referred to in "Valuation Date" below or "Averaging Date" above, as the case may be, in the case of Securities relating to:

- (a) a Non-Composite Index, an amount equal to the official closing level of the Index; or
- (b) a Composite Index, the official closing level of such Index as published by the relevant Index Sponsor,

in each case as determined by the Calculation Agent.

**"Component Security"** means each and any component security of any Index.

**"Composite Index"** means any Index in respect of which the securities comprising such Index are listed, traded or quoted on more than one exchange or quotation system as determined by the Calculation Agent and provided that, notwithstanding this definition, the Calculation Agent may elect to treat an Index as a Non-Composite Index if it determines this is appropriate.

**"Disrupted Day"** means:

- (a) in the case of a Composite Index, any Scheduled Trading Day on which: (i) the Index Sponsor fails to publish the level of the Index; (ii) the Related Exchange fails to open for trading during its regular trading session; or (iii) a Market Disruption Event has occurred; and
- (b) in the case of any Non-Composite Index, any Scheduled Trading Day on which: (i) the Exchange or the Related Exchange fails to open for trading during their regular trading session or (ii) a Market Disruption Event has occurred.

**"Early Closure"** means:

- (a) in the case of a Composite Index, the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the 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 Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day; and
- (b) in the case of any Non-Composite Index, the closure on any Exchange Business Day with respect to such Index of any relevant Exchange(s) relating to Component Securities that comprise 20.00 per cent. or more of the level of such Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is

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announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) 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.

**"Exchange"** means:

- (a) in the case of a Composite Index, in respect of each Component Security, the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent, any successor thereto or any substitute exchange or quotation system to which trading in the Component Securities underlying the Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the Component Securities on such temporary substitute exchange or quotation system as on the original Exchange); and
- (b) in the case of any Non-Composite Index, the relevant exchange or quotation system specified for such Index in the applicable Final Terms or if no such exchange or quotation system is specified for such Index in the Final Terms, the exchange or quotation system on which all or substantially all relevant Component Securities are listed (being for the avoidance of doubt, where any Component Security has more than one listing, the exchange or quotation system used by the relevant Index Sponsor for the purposes of valuing the relevant price of such Component Security) or, in each case, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Component Securities comprising such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity in relation to the Component Securities comprising such Index on such temporary substitute exchange or quotation system as on the original Exchange).

**"Exchange Business Day"** means either (a) in the case of a single Index, Exchange Business Day (Single Index Basis) or (b) in the case of a basket of Indices, (i) Exchange Business Day (All Indices Basis) or (ii) Exchange Business Day (Per Index Basis), in each case as specified in the applicable Final Terms, provided that, in the case of (b), if no such specification is made in the applicable Final Terms, Exchange Business Day (All Indices Basis) shall apply.

**"Exchange Business Day (All Indices Basis)"** means, in respect of a basket of Indices, any Scheduled Trading Day on which (a) in respect of any Non-Composite Index, each relevant Exchange and each Related Exchange (if any) is open for trading during its regular trading session in respect of all Indices comprised in the basket, notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time and (b) in respect of any Composite Index, (i) the relevant Index Sponsor calculates and publishes the level of such Composite Index and (ii) each Related Exchange (if any) in respect of each Composite Index in the basket, is open for trading during its regular trading session notwithstanding any such Related Exchange closing prior to its Scheduled Closing Time.

**"Exchange Business Day (Per Index Basis)"** means any Scheduled Trading Day on which: (a) in the case of any Composite Index (i) the Index Sponsor calculates and publishes the level of such Composite Index; and (ii) each Related Exchange (if any) in respect of such Composite Index is open for trading during its regular trading session, notwithstanding such Related Exchange closing prior to its Scheduled Closing Time; and (b) for any other Index, the relevant Exchange and each Related Exchange (if any) in respect of such Index is open for trading during its regular trading session, notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time.

**"Exchange Business Day (Single Index Basis)"** means any Scheduled Trading Day on which (a) in respect of a Non-Composite Index, the relevant Exchange and each relevant Related Exchange (if any) in respect of such Index is open for trading during its regular trading session, notwithstanding any such relevant Exchange or relevant Related Exchange closing prior to its Scheduled Closing Time and (b) in respect of a Composite Index (i) the relevant Index Sponsor calculates and publishes the level of such Composite Index and (ii) each Related Exchange (if any) in respect of such Composite Index, is open for trading during its regular trading session notwithstanding such Related Exchange closing prior to its Scheduled Closing Time.

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**"Exchange Disruption"** means, with respect to:

- (a) in the case of any Composite Index, 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, (A) any Component Security on the Exchange in respect of such Component Security; or (B) in futures or options contracts relating to such Index on the Related Exchange; and
- (b) in the case of any Non-Composite Index, any event (other than an Early Closure) 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 on any relevant Exchange(s) in Component 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.

**"Final Valuation Date"** means the date specified as the Final Valuation Date in the applicable Final Terms, which, unless otherwise specified in the applicable Final Terms, shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Index Linked Conditions.

**"Hedging Disruption"** means that the Hedging Party 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 price risk or any other relevant price risk including but not limited to the currency risk of the Issuer issuing and performing its obligations with respect to the Securities, or (B) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s).

**"Hedging Party"** means the Issuer or any Affiliate(s) of the Issuer or any entity (or entities) acting on behalf of the Issuer in any underlying or hedging transactions relating to an Index in respect of the Issuer's obligations under the Securities.

**"Hedging Shares"** means the number of Component Securities comprised in an Index that the Issuer deems necessary to hedge the equity or other price risk of entering into and performing its obligations with respect to the Securities.

**"Increased Cost of Hedging"** means that the Hedging Party would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, equity price risk, foreign exchange risk and interest rate risk) of the Issuer issuing and performing its obligations with respect to the Securities, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

**"Increased Cost of Stock Borrow"** means that the Hedging Party would incur a rate to borrow any Component Security comprised in an Index that is greater than the Initial Stock Loan Rate.

**"Index"** and **"Indices"** mean, subject to adjustment in accordance with these Equity Index Linked Conditions, the index or indices specified in the applicable Final Terms and related expressions shall be construed accordingly.

**"Index Level"** means the level of the Index determined by the Calculation Agent as set out in the applicable Final Terms.

**"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 of the Securities is the index sponsor specified for such Index in the applicable Final Terms.

**"Initial Stock Loan Rate"** means, unless otherwise specified in the applicable Final Terms, and in respect of the relevant Component Security, the rate which the Hedging Party would have incurred to borrow such Component Security on any Relevant Market as of the Trade Date, as determined by the Calculation Agent.

## *Equity Index Technical Annex*

**"Initial Valuation Date"** means the date specified as the Initial Valuation Date in the applicable Final Terms, which, unless otherwise specified in the applicable Final Terms, shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Index Linked Conditions.

**"Intraday Level"** means the level of an Index observed by the Calculation Agent at any time during the regular trading session hours of the relevant Exchange, without regard to after hours or any other trading outside of the regular trading session hours.

**"Loss of Stock Borrow"** means that the Hedging Party is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) any Component Securities comprised in an Index 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, unless otherwise specified in the applicable Final Terms, and in respect of the relevant Component Security, the lowest rate which the Hedging Party, after using commercially reasonable efforts, would have incurred to borrow such Component Security in the Relevant Market, in an amount equal to the Hedging Shares, as of the Trade Date, as determined by the Calculation Agent.

**"Non-Composite Index"** means an Index that is not a Composite Index (together **"Non-Composite Indices"**).

**"Observation Period"** means the period specified as the Observation Period in the applicable Final Terms.

**"Related Exchange"** means, in respect of Equity Index Linked Securities and in relation to an Index, each exchange or quotation system on which option contracts or futures contracts relating to such Index are traded, or 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 options contracts relating to such Index.

**"Relevant Market"** means, for the purpose of determining any value or other amount pursuant to these Equity Index Linked Conditions, any relevant quotation system, exchange, dealing system, screen page, over-the-counter derivatives or other market which the Calculation Agent determines appropriate for such purpose and which it may select taking into account hedging arrangements of the Issuer and/or its Affiliates for the Securities.

**"Relevant Time"** shall have the meaning specified in the applicable Final Terms.

**"Reuters Screen"** shall mean, when used in connection with any designated page, specified in the applicable Final Terms, the display page so designated on the Reuters Money Market Rate Services or such other services or service as may be nominated as the information vendor for the purpose of displaying the specific page on that service or such other page as may be replace that page on that service or such other service, in all cases for the purpose of displaying comparable rates in succession thereto.

**"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 Observation Date"** means each date specified as a Scheduled Observation Date in the applicable Final Terms, which, unless otherwise specified in the applicable Final Terms, shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Index Linked Conditions.

## *Equity Index Technical Annex*

**"Scheduled Trading Day"** means either (a) in the case of a single Index, Scheduled Trading Day (Single Index Basis) or (b) in the case of a basket of Indices, (i) Scheduled Trading Day (All Indices Basis) or (ii) Scheduled Trading Day (Per Index Basis), in each case as specified in the applicable Final Terms, provided that if, in the case of (b), no such specification is made in the applicable Final Terms, Scheduled Trading Day (All Indices Basis) shall apply.

**"Scheduled Trading Day (All Indices Basis)"** means, in respect of a basket of Indices, any day on which (a) in respect of any Non-Composite Indices, each relevant Exchange and each Related Exchange (if any) in respect of each Index in the basket is scheduled to be open for trading during its regular trading session, and (b) in respect of any Composite Indices, (i) the relevant Index Sponsor is scheduled to calculate and publish the levels of each Composite Index in the basket and (ii) each Related Exchange (if any) in respect of such Composite Indices is scheduled to be open for trading during its regular trading session.

**"Scheduled Trading Day (Per Index Basis)"** means (a) in respect of a Non-Composite Index, any day on which the relevant Exchange and each Related Exchange (if any) in respect of such Index is scheduled to be open for trading for its regular trading session, and (b) in respect of any Composite Index, any day on which (i) the Index Sponsor is scheduled to calculate and publish the level of such Composite Index; and (ii) each Related Exchange (if any) in respect of such Composite Index is scheduled to be open for trading for its regular trading session.

**"Scheduled Trading Day (Single Index Basis)"** means any day on which (a) in respect of an Index other than a Composite Index, the relevant Exchange and each Related Exchange (if any) is scheduled to be open for trading during its regular trading session, and (b) in respect of a Composite Index (i) the relevant Index Sponsor is scheduled to calculate and publish the level of such Composite Index and (ii) each Related Exchange (if any) in respect of such Composite Index is scheduled to be open for trading during its regular trading session.

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

**"Screen Page"** means the page specified in the applicable Final Terms, or any successor page or service thereto.

**"Settlement Cycle"** means, in respect of any Index, the period of Clearance System Business Days following a trade in the securities underlying such Index on the Exchange in which settlement will customarily occur according to the rules of such Exchange (or, if there are multiple Exchanges in respect of an Index, the longest such period).

**"Specified Additional Disruption Event"** means each event specified as a Specified Additional Disruption Event in the applicable Final Terms.

**"Specified Maximum Days of Disruption"** means the lesser of (a) either (i) eight (8) Scheduled Trading Days or (ii) such other number of Scheduled Trading Days specified as such in the applicable Final Terms and (b) such number of Scheduled Trading Days in the period from (but excluding) the Scheduled Valuation Date or Scheduled Averaging Date, as applicable to (but excluding) the third (3rd) Business Day prior to any due date for any payment under the Securities for which valuation on the relevant Averaging Date or Valuation Date is relevant, all as determined by the Calculation Agent.

**"Trading Disruption"** means:

- (a) in the case of a Composite Index, 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: (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 the Related Exchange; and
- (b) in the case of a Non-Composite Index, 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 Component Securities that comprise 20.00 per cent. or more of the level of such Index on any relevant Exchange(s) or (b) in futures or options contracts relating to such Index on any relevant Related Exchange.

## *Equity Index Technical Annex*

**"Valuation Date"** means the date specified as such in the applicable Final Terms and otherwise in accordance with the above provisions or, if such day is not a Scheduled Trading Day, the immediately succeeding 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) in the case of Securities relating to a single Index, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day. In that case, (i) the last such consecutive 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 Index Level in the manner set out in the applicable Final Terms or, if not set out or if not practicable, determine the Index Level by determining the level of the Index as of the Valuation Time on the last such consecutive 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 the last such consecutive 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 the last such consecutive 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) in the case of Securities relating 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 (each an "**Affected Item**") 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 Item unless each of the number of consecutive Scheduled Trading Days equal to the Specified Maximum Days of Disruption immediately following the Scheduled Valuation Date is a Disrupted Day relating to the Affected Item. In that case, (i) the last such consecutive Scheduled Trading Day shall be deemed to be the Valuation Date for the Affected Item, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Calculation Agent shall determine the Index Level using, in relation to the Affected Item, the level or value as applicable, 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 the last such consecutive Scheduled Trading Day in accordance with the formula for and method of calculating that 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 the last such consecutive 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 the last such consecutive 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 the Relevant Time specified in the applicable Final Terms or if not so specified:

- (a) in the case of a Composite Index, in respect of such Index: (i) for the purposes of determining whether a Market Disruption Event has occurred: (A) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and (B) in respect of any options contracts or futures contracts on the Index, the close of trading on the Related Exchange; and (ii) in all other circumstances, the time at which the official closing level of the Index is calculated and published by the Index Sponsor; and
- (b) in the case of any Non-Composite Index, the Scheduled Closing Time on the Exchange on the relevant date. If the 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.



**FUNDS TECHNICAL ANNEX**

**ADDITIONAL TERMS AND CONDITIONS FOR FUND LINKED SECURITIES**

The terms and conditions applicable to Fund Linked N&C Securities shall comprise (a) the General Terms and Conditions of the N&C Securities (the "**N&C Security Conditions**") and the additional Terms and Conditions set out below (the "**Fund Linked Conditions**") or (b) the General Terms and Conditions of the Warrants (the "**Warrant Conditions**") and the Fund Linked Technical Conditions, in each case, together with the Terms and Conditions as set out in each other Technical Annex which is specified as applicable in the applicable Final Terms (together with, (i) the N&C Security Conditions and the Fund Linked Conditions, or (ii) the Warrant Conditions and the Fund Linked Conditions, as the case may be, the "**Conditions**") and, in each case subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the N&C Security Conditions or Warrant Conditions, as applicable, and the Fund Linked Conditions, the Fund Linked Conditions shall prevail. In the event of any inconsistency between (i) the N&C Security Conditions or Warrant Conditions, as applicable, and/or the Fund Linked Conditions and (ii) the Final Terms, the Final Terms shall prevail. References in the Fund Linked Conditions to "Security" and "Securities" shall be deemed to be references to "N&C Security" and "N&C Securities" or "Warrant" and "Warrants" as the context admits and references to "Securityholder" shall be deemed to be references to "N&C Securityholder" or "Warrantholder" as the context admits.

References below to a numbered N&C Security Condition or Warrant Condition, as the case may be, are to such numbered section of the N&C Security Conditions or Warrant Conditions, as applicable, and references to a numbered Fund Linked Condition are to such numbered section as set out in this Technical Annex.

Defined terms used in this Technical Annex where the same term may be used in another Technical Annex (e.g. Valuation Date or Averaging Date) shall have the same meanings given in this Technical Annex or in the section of the Final Terms relating to Fund Linked N&C Securities.

**1. FUND LINKED N&C SECURITIES**

This Fund Linked Condition 1 will apply to N&C Securities only.

**(a) Fund Linked Interest N&C Securities**

Unless previously redeemed or purchased and cancelled in accordance with the N&C Security Conditions or as specified in the applicable Final Terms and subject to this Funds Technical Annex, each Fund Linked Interest N&C Security will bear interest in the manner specified in the applicable Final Terms and the N&C Security Conditions.

**(b) Fund Linked Redemption N&C Securities**

Unless previously redeemed or purchased and cancelled, each N&C Security will be redeemed by the Issuer by payment of the Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms, on the Maturity Date.

If Maturity Date Extension is specified as applying in the applicable Final Terms then, if the Redemption Payment Date in relation to the Valuation Date or last occurring Averaging Date has not occurred on or prior to the second (2nd) Currency Business Day preceding the Scheduled Maturity Date, the Maturity Date shall be postponed and shall occur on the seventh (7th) Currency Business Day following (i) the Redemption Payment Date in relation to the Valuation Date or last occurring Averaging Date or (ii) if earlier, the last day of the Cut-off Period.

**2. FUND LINKED WARRANTS**

This Fund Linked Condition 2 will apply to Warrants only.

If Settlement Date Extension is specified as applying in the applicable Final Terms then, if the Redemption Payment Date in relation to the Valuation Date or last occurring Averaging Date has not occurred on or prior to the second (2nd)

## *Funds Technical Annex*

Currency Business Day preceding the originally scheduled Settlement Date, the Settlement Date shall be postponed and shall occur on the seventh (7th) Currency Business Day following (i) the Redemption Payment Date in relation to the Valuation Date or last occurring Averaging Date or (ii) if earlier, the last day of the Cut-off Period.

### **3. POTENTIAL ADJUSTMENT EVENTS**

If any Potential Adjustment Event exists or occurs at any time, the Calculation Agent will, in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner), determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Fund Interest Units or amount of the Fund Interest and, if so, the Issuer may require the Calculation Agent to (i) make the corresponding adjustment(s), if any, to any one or more of (a) in the case of N&C Securities, the Final Redemption Amount and/or (b) the relevant number of units of the Reference Fund and/or any of the other terms of these Fund Linked Conditions, the N&C Security Conditions or Warrant Conditions, as applicable, and/or the applicable Final Terms as the Calculation Agent in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner) determines appropriate to account for that diluting or concentrative effect and (ii) determine the effective date(s) of the adjustment(s).

Upon making any such adjustment pursuant to this Fund Linked Condition 3, the Calculation Agent shall give notice as soon as practicable to Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable, stating the adjustment to be taken and giving details of the Potential Adjustment Event.

### **4. CONSEQUENCES OF AN EXTRAORDINARY FUND EVENT AND/OR AN ADDITIONAL EXTRAORDINARY FUND EVENT**

If, in the determination of the Calculation Agent, an Extraordinary Fund Event(s) and/or Additional Extraordinary Fund Event(s) has occurred or exists, the Issuer may either:

- (i) require the Calculation Agent to (1) make the corresponding adjustment(s) (each an "**Adjustment**"), if any, to any one or more of (a) in the case of N&C Securities, any Interest Amount, Final Redemption Amount and/or the relevant number of units of the Reference Fund and/or (b) any of the other terms of these Fund Linked Conditions, the N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable, and/or the applicable Final Terms as the Calculation Agent in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner) determines appropriate to account for the relevant Extraordinary Fund Event or Additional Extraordinary Fund Event and (2) determine the effective date(s) of the adjustment(s) and such Adjustments may include, without limitation:
  - (A) in the case of N&C Securities, partially cancelling the N&C Securities and determining any partial cancellation amount (if any) in relation thereto;
  - (B) adjusting any method for calculating a Settlement Price or any other relevant level or value;
  - (C) delaying any determination or payment until the Calculation Agent determines that no Extraordinary Fund Event and/or Additional Extraordinary Fund Event exists;
  - (D) replacing an affected Fund Interest (the "**Affected Fund Interest**") with a replacement fund interest (the "**Replacement Fund Interest**") with a value as determined by the Calculation Agent equal to the Removal Value for the Affected Fund Interest and in a fund which in the determination of the Calculation Agent has similar characteristics, investment objectives and policies to those applicable to the Reference Fund in respect of the Affected Fund Interest immediately prior to the occurrence of the Extraordinary Fund Event and/or Additional Extraordinary Fund Event; and/or
  - (E) in the case of N&C Securities, redeeming all, but not some only, of the N&C Securities on an amortised basis by making a series of partial redemption payments, in respect of each N&C Security, each such payment reflecting an N&C Security's *pro rata* share of any partial realisation amount in cash or in kind or (b) in the case of Warrants, partially cancelling all, but not some only, of the Warrants by making a series of partial cancellation amount payments, in respect of each Warrant, each

## *Funds Technical Annex*

such payment reflecting a Warrant's pro rata share of any partial realisation amount in cash or in kind, adjusted, if appropriate, to take account of the economic characteristics of the Warrants, including its option characteristic (in each case, a "**Partial Realisation Amount**") which the Calculation Agent determines would be received by a Hypothetical Investor holding the relevant Fund Interest in circumstances where a Fund Insolvency Event has occurred or exists or a Reference Fund has otherwise determined to make partial payments or deliveries in respect of any Fund Interest which may, without limitation, be made by or on behalf of a Reference Fund to reflect the realisation or liquidation of the Reference Fund's assets or positions.

Each such payment in respect of the Securities shall be made on such date and on such terms following each corresponding receipt of a Partial Realisation Amount by a Hypothetical Investor as the Calculation Agent shall notify to Securityholders. However, where any Partial Realisation Amount is a non-cash amount, the relevant Securities payment shall only be made following such time (if any) as the Calculation Agent determines a Hypothetical Investor could reasonably realise the relevant Partial Realisation Amount for cash proceeds. It should be noted that any such partial payments on the Securities may be significantly delayed (in some cases for a number of years) and may be zero, including in the event the Calculation Agent determines any such realisation could not be reasonably made. Each such partial payment shall be net of a Security's *pro rata* share of any relevant fees, costs or taxes which the Calculation Agent determines a Hypothetical Investor would suffer or would be required to pay in respect of any such realisation of the Fund Interest or a Partial Realisation Amount; or

- (ii) (a) in the case of N&C Securities, redeem all, but not some only, of the N&C Securities, each nominal amount of N&C Securities equal to the Calculation Amount or unit of N&C Securities, as the case may be, being redeemed at the Early Redemption Amount or (b) in the case of Warrants, cancel all, but not some only, of the Warrants, each Warrant being cancelled at the Early Cancellation Amount, in each case on the seventh (7) Currency Business Day following an applicable Redemption Payment Date or, if later following the date as of which the Calculation Agent determines a Hypothetical Investor could reasonably realise the relevant Fund Interest in full, as determined by the Calculation Agent.

If the Calculation Agent replaces an Affected Fund Interest with a Replacement Fund Interest, such replacement shall take effect on the first reasonably practicable date following the Removal Date for such Affected Fund Interest on which the Calculation Agent determines that a Hypothetical Investor could acquire the Replacement Fund Interest in full and the Calculation Agent shall determine all related Adjustments to the Securities to account for such replacement.

Upon making an Adjustment or following any determination by the Issuer to redeem or cancel, as the case may be, the Securities pursuant to this Fund Linked Condition 4, the Calculation Agent shall give notice as soon as practicable to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable, stating the adjustment or other action to be taken and giving brief details of the Extraordinary Fund Event and/or Additional Extraordinary Fund Event (as applicable).

### **5. CORRECTION OF FUND INTEREST PRICES**

With the exception of any corrections published after the day which is three (3) Currency Business Days prior to the Maturity Date, in the case of N&C Securities, or Settlement Date, in the case of Warrants, (the "**Correction Cut-off Date**"), if (i) any price published by or on behalf of a Reference Fund with respect to any Fund Interest on a given day and used or to be used by the Calculation Agent to make any determination under the Securities, is subsequently corrected and the correction is published by or on behalf of the Reference Fund after the original publication, or (ii) a Reference Fund with respect to any Fund Interest adjusts the Redemption Proceeds that would have been paid to a Hypothetical Investor redeeming the number of Fund Interest Units or amount of Fund Interest that is subject to valuation, and such adjustment would be reflected in either an additional payment to such Hypothetical Investor, or a claim for repayment of excess Redemption Proceeds made against such Hypothetical Investor, the Calculation Agent may in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner) make any relevant Adjustment (as defined in Fund Linked Condition 4 above) to the Conditions or any subsequent amount payable under the Securities to

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account therefor. Corrections published on or after the Correction Cut-off Date will be disregarded by the Calculation Agent for the purposes of determining the relevant amount to be paid.

### 6. **DEFINITIONS APPLICABLE TO FUND LINKED SECURITIES**

#### (a) **Principal definitions applicable to the Reference Fund**

**"Fund Documents"** means, with respect to any Fund Interest, each relevant document specified as such in the applicable Final Terms and each relevant prospectus or offering document or any supplement thereto, the constitutive and governing documents, subscription agreements and other agreements of the related Reference Fund specifying the terms and conditions relating to such Fund Interest and any additional fund documents, in each case, as amended from time to time.

**"Fund Interest"** means, subject to adjustment in accordance with these Fund Linked Conditions, an interest issued to or held by an investor in a fund, pooled investment vehicle or any other interest identified as such in the applicable Final Terms.

**"Fund Interest Unit"** means, unless otherwise specified in the applicable Final Terms, in respect of a Fund Interest in a Reference Fund, a share of such Fund Interest or, if Fund Interests in such Reference Fund are not denominated as shares, a notional unit of account of ownership of such Fund Interest in such Reference Fund in the amount specified in the applicable Final Terms provided that if no such amount is so specified, then the entire amount of Fund Interest in which the Hypothetical Investor is deemed to invest on the relevant Reference Fund Subscription Date shall be a single Fund Interest Unit. In relation to a Fund Interest Unit or Fund Interest, unless otherwise specified in the applicable Final Terms, a Settlement Price shall be determined by reference to the value of such Fund Interest Unit or Fund Interest, as determined by the Calculation Agent, and Reported Value Method or Deemed Payout Method shall be deemed to be applicable as specified in the applicable Final Terms.

**"Reference Fund"** means, subject to adjustment in accordance with these Fund Linked Conditions and in respect of a Fund Interest, unless otherwise specified in the applicable Final Terms, the issuer of, or other legal arrangement giving rise to, the relevant Fund Interest.

#### (b) **Definitions applicable to Reference Fund Management/Administration**

**"Fund Administrator"** means, in respect of a Reference Fund, any person specified as such in the applicable Final Terms or if no person is so specified, the fund administrator, manager, trustee or similar person with the primary administrative responsibilities for such Reference Fund according to the Fund Documents.

**"Fund Adviser"** means, in respect of a Reference Fund, any person specified as such in the applicable Final Terms or if no person is so specified, any person appointed in the role of discretionary investment manager or non-discretionary investment adviser (including a non discretionary investment adviser to a discretionary investment manager or to another non discretionary investment manager) for such Reference Fund.

**"Fund Custodian"** means, in respect of a Reference Fund, any person specified as such in the applicable Final Terms or, if no person is so specified, any entity specified in the relevant Fund Documents which is responsible for the custody of the assets of the relevant Reference Fund.

**"Fund Service Provider"** means, in respect of any Reference Fund, any person who is appointed to provide services, directly or indirectly, in respect of that Reference Fund, whether or not specified in the Fund Documents, including any Fund Adviser, Fund Administrator, operator, management company, depositary, custodian, sub custodian, prime broker, administrator, trustee, registrar and transfer agent, domiciliary agent, auditor and any other person specified as such in the applicable Final Terms.

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### (c) **Principal definitions applicable to Valuation**

**"Averaging Date"** means, in respect of each Valuation Date, each date specified or otherwise determined as provided in the applicable Final Terms or (i) in respect of any Fund Interest for which Reported Value Method is applicable, if such date is not a Fund Business Day, the next following Fund Business Day and (ii) in respect of any Fund Interest to which Deemed Payout Method is applicable, if such day is not a Currency Business Day, the next following Currency Business Day.

**"Currency Business Day"** means any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the principal financial centre for the relevant Specified Currency or, if the Specified Currency is euro, any day on which TARGET2 is open.

**"Cut-off Period"** means, in respect of any Valuation Date or Averaging Date, as the case may be, the period specified as such in the applicable Final Terms, or if no such period is specified, a period of one calendar year ending on the first anniversary of such Valuation Date or Averaging Date, as the case may be; provided that if a "Final Cut-off Date" is specified in the applicable Final Terms, then any Cut-off Period that would otherwise end after such Final Cut-off Date shall end on such Final Cut-off Date.

**"Final Cut-off Date"** means the date, if any, specified as such in the applicable Final Terms.

**"Final Valuation Date"** means the date specified as a Final Valuation Date in the applicable Final Terms, which, unless otherwise specified in the applicable Final Terms, shall be deemed to be, (a) in the case of N&C Securities, a Valuation Date for the purposes of determining any Maturity Date Extension pursuant to Fund Linked Condition 1 and/or the consequences of any such day not being a Fund Business Day or a Currency Business Day and (b) in the case of Warrants, a Valuation Date for the purposes of determining a Settlement Date Extension pursuant to Fund Linked Condition 2 and/or the consequences of any such day not being a Fund Business Day or a Currency Business Day.

**"Fund Business Day"** means any day specified as such in the applicable Final Terms or, otherwise, any day the Reference Fund or the primary Fund Administrator, acting on behalf of the Reference Fund, is open for business.

**"Fund Valuation Date"** means, with respect to any Fund Interest and a Valuation Date or Averaging Date, as applicable, a date as of which the related Reference Fund (or a Fund Service Provider that generally determines such value) determines the value of such Fund Interest or, if the related Reference Fund only reports its aggregate net asset value, a date as of which such Reference Fund determines its aggregate net asset value in relation to such Valuation Date or Averaging Date, as applicable.

**"Hypothetical Investor"** means, unless otherwise specified in the applicable Final Terms, with respect to any Fund Interest, a hypothetical investor in such Fund Interest located in the Hypothetical Investor Jurisdiction and deemed: (i) to have the benefits and obligations, as provided under the Fund Documents, of an investor holding, as of the related Reference Fund Subscription Date, an interest in the relevant Reference Fund in an amount equal to the number of Fund Interest Units or amount of the Fund Interest; (ii) in the case of any deemed investment in such Fund Interest, to have submitted, on the relevant Subscription Notice Date, a duly completed notice to the relevant Reference Fund, requesting subscription to the relevant number of Fund Interest Units or amount of the Fund Interest; and (iii) in the case of any deemed redemption of such Fund Interest or amount of the Fund Interest, to have submitted to the relevant Reference Fund on the relevant Redemption Notice Date a duly completed notice requesting redemption of the relevant number of Fund Interest Units or amount of the Fund Interest.

**"Hypothetical Investor Jurisdiction"** means the jurisdiction of organisation or formation, as applicable, of the relevant Hedging Party, unless otherwise specified in the applicable Final Terms.

**"Initial Valuation Date"** means the date specified as a Initial Valuation Date in the applicable Final Terms, which, unless otherwise specified in the applicable Final Terms, shall be deemed to be, (a) in the case of N&C Securities a Valuation Date for the purposes of determining any Maturity Date Extension pursuant to Fund Linked Condition 1 and/or the consequences of any such day not being a Fund Business Day or a Currency Business Day and (b) in the case of Warrants,

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a Valuation Date for the purposes of determining a Settlement Date Extension pursuant to Fund Linked Condition 2 and/or the consequences of any such day not being a Fund Business Day or a Currency Business Day.

**"Observation Period"** means the period specified as the Observation Period in the applicable Final Terms.

**"Redemption Notice Date"** means, with respect to any Fund Interest and any Valuation Date or Averaging Date, the date specified as such in the applicable Final Terms, or if no such date is specified, the last date on which a Hypothetical Investor in such Fund Interest would be permitted, pursuant to the Fund Documents of the related Reference Fund, to submit a redemption notice that would be timely for a redemption as of the relevant Valuation Date or Averaging Date, as applicable.

**"Redemption Payment Date"** means, with respect to any Fund Interest and any Valuation Date or Averaging Date, as applicable, each date on which the related Reference Fund actually pays all or the specified portion of the Redemption Proceeds to a Hypothetical Investor that has submitted a timely and valid notice for redemption of such Fund Interest as of such Valuation Date or Averaging Date, as applicable.

**"Redemption Proceeds"** means, with respect to the relevant number of Fund Interest Units or amount of any Fund Interest, the redemption proceeds, as determined by the Calculation Agent, that would be paid by the related Reference Fund to a Hypothetical Investor who, as of the relevant Valuation Date or Averaging Date, as applicable, redeems such amount of such Fund Interest; provided that (i) any such proceeds that would be paid in property other than cash shall be valued by the Calculation Agent in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner) by reference to such source(s) as it determines appropriate (and may be assigned the value of zero) and (ii) if the Hypothetical Investor would be entitled to elect payment of such redemption proceeds to be made either in the form of cash or other property, the Hypothetical Investor shall be deemed to have elected cash payment, except as otherwise specified in the applicable Final Terms.

**"Reference Fund Subscription Date"** means the date specified as such in the applicable Final Terms or, if no such date is specified, with respect to any Fund Interest, the day as of which a request by a Hypothetical Investor for subscription to such Fund Interest that has been submitted on the related Subscription Notice Date and in a form and substance acceptable to the related Reference Fund would be considered effective by the Reference Fund.

**"Reported Fund Interest Value"** means, with respect to the relevant number of Fund Interest Units or amount of any Fund Interest and a Valuation Date or Averaging Date, as applicable, relating to such Fund Interest, the value of such number of Fund Interest Units or amount of such Fund Interest as of the related Fund Valuation Date or, if the related Reference Fund reports only its aggregate net asset value, the portion of such Reference Fund's aggregate net asset value relating to such number of Fund Interest Units or amount of such Fund Interest as of the related Fund Valuation Date, in each case as reported on the related Fund Reporting Date by (i) the Fund Service Provider that generally reports such value on behalf of the Reference Fund to its investors or a publishing service (ii) the Fund Administrator or (iii) any other relevant entity, as determined by the Calculation Agent in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner), unless otherwise specified in the applicable Final Terms.

**"Scheduled Observation Date"** means the date specified as a Scheduled Observation Date in the applicable Final Terms, which, unless otherwise specified in the applicable Final Terms, shall be deemed to be, (a) in the case of N&C Securities a Valuation Date for the purposes of determining any Maturity Date Extension pursuant to Fund Linked Condition 1 and/or the consequences of any such day not being a Fund Business Day or a Currency Business Day and (b) in the case of Warrants, a Valuation Date for the purposes of determining a Settlement Date Extension pursuant to Fund Linked Condition 2 and/or the consequences of any such day not being a Fund Business Day or a Currency Business Day.

**"Settlement Price"** means, in relation to a Valuation Date or Averaging Date, as the case may be, in respect of a Fund Interest, the price per related Fund Interest Unit determined by the Calculation Agent either as provided in the applicable Final Terms, or otherwise either:

- (i) in respect of any Fund Interest to which the Reported Value Method is applicable, the Settlement Price shall be the Reported Fund Interest Value per related Fund Interest Unit determined in relation to the Valuation Date or Averaging Date, as the case may be *provided that* the Calculation Agent may in its sole and absolute discretion

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(or, in the case of Italian Securities, in good faith and in a reasonable manner): (A) adjust the Reported Fund Interest Value to reflect, without duplication, the relevant portion per Fund Interest Unit of: (x) such fees and costs as would be charged to the Hypothetical Investor pursuant to the Fund Documents, (y) such other fees as are specified as 'Redemption Fees' in the applicable Final Terms, and (z) the Redemption Proceeds relating to such Fund Interest Unit, in each case in connection with a deemed redemption as of the relevant Valuation Date or Averaging Date, as the case may be, of all Fund Interest Units that are subject to valuation; and (B) if the Calculation Agent determines that no adjustment that it could make under (A) will produce a commercially reasonable result, it may elect that Deemed Payout Method shall apply; and

- (ii) in respect of any Fund Interest to which Deemed Payout Method is applicable, the Settlement Price per Fund Interest Unit in respect of a Valuation Date or Averaging Date, as the case may be, shall be an amount equal to the Redemption Proceeds relating to such Fund Interest Unit that would be received by the Hypothetical Investor in such Fund Interest in connection with a redemption of all Fund Interest Units that are subject to valuation during the relevant Cut-off Period in relation to such Valuation Date or Averaging Date, as the case may be.

**"Subscription Notice Date"** means, with respect to any Fund Interest and any Reference Fund Subscription Date, the date specified as such in the applicable Final Terms or, if no such date is specified, the last date on which a notice to subscribe to such Fund Interest may be submitted pursuant to the Fund Documents of the related Reference Fund and be considered effective as of such Reference Fund Subscription Date. If the applicable Final Terms does not specify a Subscription Notice Date or a Reference Fund Subscription Date, the Subscription Notice Date shall be deemed to be the Trade Date.

**"Trade Date"** means the date as specified in the applicable Final Terms.

**"Valuation Date"** means (i) in respect of any Fund Interest to which Reported Value Method is applicable, each date specified as such or otherwise determined as provided in the applicable Final Terms (or, if such date is not a Fund Business Day, the next following Fund Business Day); and (ii) in respect of any Fund Interest to which Deemed Payout Method is applicable, each date specified as such or otherwise determined as provided in the applicable Final Terms (or, if such date is not a Currency Business Day, the next following Currency Business Day).

### **(d) Other Definitions applicable to Valuation**

**"Fund Reporting Date"** means, with respect to any Fund Interest and Fund Valuation Date, the date on which the Reported Fund Interest Value of such Fund Interest, as determined as of such Fund Valuation Date, is reported or published.

**"Redemption Valuation Date"** means, with respect to any Fund Interest and any Scheduled Redemption Valuation Date, the date as of which the related Reference Fund (or its Fund Service Provider that generally determines such value) would determine the net asset value of such Fund Interest for purposes of calculating the Redemption Proceeds to be paid to a Hypothetical Investor that had submitted a valid notice for redemption on or before the related Redemption Notice Date.

**"Scheduled Fund Valuation Date"** means, with respect to any Fund Interest, a date as of which the related Reference Fund (or its Fund Service Provider that generally determines such value) is scheduled, according to its Fund Documents (without giving effect to any gating, deferral, suspension or other provisions permitting the Reference Fund to delay or refuse redemption of Fund Interests), to determine the value of such Fund Interest or, if the related Reference Fund only reports its aggregate net asset value, the date as of which the Reference Fund is scheduled to determine aggregate net asset value.

**"Scheduled Redemption Payment Date"** means the date specified as such in the applicable Final Terms or if no date is so specified, with respect to any Fund Interest and any Scheduled Redemption Valuation Date, the date by which the related Reference Fund is scheduled to have paid, according to its Fund Documents, all or a specified portion of the Redemption Proceeds to a Hypothetical Investor that has submitted a timely and valid notice requesting redemption of such Fund Interest as of such Scheduled Redemption Valuation Date.

**"Scheduled Redemption Valuation Date"** means, with respect to any Fund Interest, the date as of which the related Reference Fund (or its Fund Service Provider that generally determines such value) is scheduled, according to its Fund

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Documents (without giving effect to any gating, deferral, suspension or other provisions permitting the Reference Fund to delay or refuse redemption of Fund Interests), to determine the net asset value of such Fund Interest for purposes of calculating the redemption proceeds to be paid to an investor that has submitted a valid and timely notice for redemption of Fund Interests based on the value determined as of such date. The Scheduled Redemption Valuation Date relating to any Valuation Date or Averaging Date, as the case may be, shall be the date specified as such in the applicable Final Terms, or if no such date is specified, the Scheduled Redemption Valuation Date occurring (i) if the Reported Value Method is applicable, on such Valuation Date or Averaging Date, as the case may be, or if no Scheduled Redemption Valuation Date is occurring on such Valuation Date or Averaging Date, the immediately preceding Scheduled Redemption Valuation Date, or (ii) if Deemed Payout Method is applicable, the Scheduled Redemption Valuation Date for which the Scheduled Redemption Payment Date falls on or immediately prior to such Valuation Date or Averaging Date.

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

**"Settlement Cycle"** means the period specified as such in the applicable Final Terms, or, if no period is so specified, (i) in respect of any Fund Interest to which Reported Value Method is applicable, the period of Currency Business Days from, and including, any Scheduled Redemption Valuation Date to, and including, the related Scheduled Redemption Payment Date, and (ii) in respect of any Fund Interest to which Deemed Payout Method is applicable, two (2) Currency Business Days.

**"Valid Date"** means: (i) in respect of Fund Interests to which Reported Value Method is applicable, a Fund Business Day; and (ii) in respect of Fund Interests to which Deemed Payout Method is applicable, a Currency Business Day, in each case that is not a Fund Disrupted Day and on which another Averaging Date in respect of the relevant Valuation Date does not or is not deemed to occur.

**"Valuation Time"** means the time specified as such in the applicable Final Terms or, if no such time is specified, (i) in respect of a Fund Interest to which Reported Value Method is applicable, the time as of which the Reported Fund Interest Value is determined, and (ii) in respect of a Fund Interest to which Deemed Payout Method is applicable, the close of business in the Hypothetical Investor Jurisdiction on the relevant Valuation Date or Averaging Date, as the case may be.

### (e) **Other Definitions, including Definitions applicable to Disruption**

**"Additional Extraordinary Fund Event"** means any event specified as such in the applicable Final Terms and each event specified in Fund Linked Condition 7.1(a) if such Fund Linked Condition applies. The Calculation Agent shall make all determinations in respect of Additional Extraordinary Fund Events, including decisions as to materiality, in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner).

**"Adviser Resignation Event"** means, in respect of any Reference Fund, (i) the resignation, termination, or replacement of a Fund Adviser, any Fund Service Provider or (ii) the resignation, replacement or death of any Key Person or cessation or termination of any Key Person's appointment by or employment with the Reference Fund or any relevant entity in relation to the Reference Fund, in each case unless immediately replaced by another adviser or service provider acceptable to the Calculation Agent.

**"Change in Law"** means that, on or after the Trade Date, (i) due to the adoption of or any change in any applicable law or regulation, including without limitation, any tax law), or (ii) 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 Calculation Agent determines in good faith that (A) it has become illegal for the Hedging Party to hold, acquire or dispose of Fund Interests; or (B) the Hedging Party will incur a materially increased cost in performing its obligations in respect of hedging arrangements in relation to the Securities (including without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).



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**"De-Listing"** means, in respect of any Fund Interest Units which are listed on any stock exchange (an **"Exchange"**), the relevant Exchange announces that pursuant to the rules of such Exchange, such Fund Interests Units cease (or will cease) to be listed, traded or publicly quoted on that Exchange for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as that Exchange (or, where the Exchange is within the European Union, in a member state of the European Union).

**"Extraordinary Dividend"** means an amount per relevant Fund Interest Unit or other amount of Fund Interest which the Calculation Agent determines appropriate to characterise as an extraordinary dividend.

**"Extraordinary Fund Event"** means, Nationalisation, Insolvency, Fund Insolvency Event, Adviser Resignation Event, Strategy Breach, Reporting Disruption, Change in Law, Fund Modification, Fund Hedging Disruption, Increased Cost of Hedging, Regulatory Action, Fund Disruption Event, Fund Adviser Event, Fund Service Provider Event, Fund Administrator Disruption, Holding Ratio Change, Merger Event, De-Listing, NAV Trigger Event, Notice Period Extension, Related Agreement Termination and/or any other event which, in the sole and absolute discretion of (or, in the case of Italian Securities, as determined in good faith and in a reasonable manner by) the Calculation Agent, has an analogous effect to any of the events specified above. The Calculation Agent shall make all determinations, including decisions as to materiality, in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner).

**"Fund Administrator Disruption"** means any event or circumstances compromising the independence of a Fund Administrator from the relevant Fund Adviser.

**"Fund Adviser Event"** means that the Calculation Agent determines that over a period of twelve (12) months, the total value of the assets managed by the Fund Adviser (including in relation to the Reference Fund) has decreased by fifty per cent. (50%) (either due to redemptions or decrease in the value of such assets or otherwise).

**"Fund Disrupted Day"** means any day on which a Fund Disruption Event has occurred or is continuing.

**"Fund Disruption Event"** means, unless otherwise specified in the applicable Final Terms, in respect of any Fund Interest, the occurrence or existence of a Fund Valuation Disruption or a Fund Settlement Disruption.

**"Fund Hedging Disruption"** means, with respect to a Fund Linked Security, that the Hedging Party is unable, or it is impractical for the Hedging Party, after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary or appropriate to hedge the price risk relating to such Fund Interest of entering into and performing its obligations with respect to such Fund Linked Security, or (ii) realise, recover or remit the proceeds of any such transaction or asset, including, without limitation, where such inability or impracticability has arisen by reason of (A) any restrictions or increase in charges or fees imposed by the relevant Reference Fund on any investor's ability to redeem the Fund Interest, in whole or in part, or any existing or new investor's ability to make new or additional investments in such Fund Interest, or (B) any mandatory redemption, in whole or in part, of such Fund Interest imposed by the relevant Reference Fund (in each case other than any restriction in existence on the date on which such Fund Interest was first included as a Fund Interest in relation to the Securities).

**"Fund Insolvency Event"** means any Fund Interest or related Reference Fund or any Fund Service Provider, as applicable, (i) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation (other than pursuant to a consolidation, amalgamation or merger), (ii) makes a general assignment or arrangement with or for the benefit of the creditors; (iii) (A) institutes or has instituted against it, by a regulator, supervisor or any other 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, 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 by it or such regulator, supervisor or other similar official, or (B) 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 such proceeding or petition is instituted or presented by a person or entity not described in (A) above and either (x) 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 (y) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation

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thereof; (iv) 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; (v) 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 of its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within fifteen days thereafter, or (vi) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (i) through (v) above.

**"Fund Modification"** means any change or modification of the related Fund Documents that could reasonably be expected to affect the value of such Fund Interest or the rights or remedies of any holders thereof (in each case as determined by the Calculation Agent) from those prevailing on the date the relevant Fund Interest was first included as a Fund Interest in relation to the Securities.

**"Fund Service Provider Event"** means (i) a change of control or indirect control of any Fund Service Provider or (ii) in the reasonable opinion of the Calculation Agent, a Fund Service Provider is no longer able to carry out its business with the standard of care which was prevailing as of the Trade Date. For the purpose of this definition, **"control"** has the same meaning as in the definition of "Affiliate" in N&C Security Condition 7.13 (in the case of N&C Securities) or in Warrant Condition 6.3 (in the case of Warrants).

**"Fund Settlement Disruption"** means, in respect of a Fund Interest and any day, a failure by the Reference Fund to pay all or part of the full amount (whether expressed as a percentage or otherwise) of the Redemption Proceeds with respect to the relevant number of Fund Interest Units or amount of such Fund Interest scheduled to have been paid on or by such day according to the Fund Documents (without giving effect to any gating, deferral, suspension or other provisions permitting the Reference Fund to delay or refuse redemption of Fund Interests).

**"Fund Valuation Disruption"** means the failure of a Valuation Date or Averaging Date, as applicable, to be a valuation date in respect of the Fund Interest or any continued postponement of such valuation date.

**"Hedging Party"** means at any relevant time, the Issuer or any of its Affiliates or any other party providing the Issuer directly or indirectly with hedging arrangements in relation to the Securities as the Issuer may select at such time.

**"Holding Ratio Change"** means the reduction of the Reference Fund's aggregate net asset value under an amount that, in the determination of the Calculation Agent, has, or is likely to have, a material adverse effect on the performance or management of the Reference Fund or would increase the proportion of the Fund Interest Units held, or likely to be held, by the Hedging Party, to the extent that the full redemption of the Fund Interest Units held by the Hedging Party is likely to be delayed or become subject to "gating" by the Reference Fund.

**"Increased Cost of Hedging"** means that the Hedging Party 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 (i) 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 any Fund Interest of entering into and performing its obligations with respect to hedging arrangements in relation to the Securities; or (ii) realise, recover, 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 Hedging Party shall not be deemed an Increased Cost of Hedging.

**"Insolvency"** means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Reference Fund, (i) all the Fund Interests of that Reference Fund are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Fund Interests of that Reference Fund become legally prohibited from transferring or redeeming them.

**"Key Person"** means, in relation to a Reference Fund, each person specified as such in the applicable Final Terms.

**"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.

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**"Merger Event"** means, in respect of any relevant Fund Interest Units, or Reference Fund (as applicable), any:

- (i) reclassification or change of such Fund Interest Units that results in a transfer of or an irrevocable commitment to transfer all of such Fund Interest Units outstanding to another entity or person;
- (ii) consolidation, amalgamation, merger or binding share exchange of the relevant Reference Fund with or into another entity or person;
- (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. (100%) of the outstanding Fund Interest Units of the relevant Reference Fund that results in a transfer of or an irrevocable commitment to transfer all such Fund Interest Units (other than such Fund Interest Units owned or controlled by such other entity or person); or
- (iv) consolidation, amalgamation, merger or binding share exchange of the Reference Fund or its subsidiaries, as the case may be, with or into another entity in which the Reference Fund is the continuing entity and which does not result in a reclassification or change of all such Fund Interest Units outstanding but results in the outstanding Fund Interest Units (other than Fund Interest Units owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. (50%) of the outstanding Fund Interest Units immediately following such event,

in each case if the Merger Date is on or before the last occurring Valuation Date and/or last occurring Averaging Date.

**"Nationalisation"** means that all the Fund Interests or all or substantially all the assets of a Reference Fund are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

**"NAV Trigger Event"** means, in respect of any Fund Interest, that (i) the Reported Fund Interest Value has decreased by 30.00 per cent. or more since the Trade Date or, in respect of a Replacement Fund Interest, the relevant replacement date, or (ii) the related Reference Fund has violated any leverage restriction that is applicable to, or affecting, such Reference Fund or its assets by operation of any law, any order or judgment of any court or other agency of government applicable to it or any of its assets, the Fund Documents or any contractual restriction binding on or affecting the Reference Fund or any of its assets.

**"Notice Period Extension"** means, in respect of any Reference Fund, any increase in the notice period in respect of subscription for, or redemption of Fund Interest Units or a decrease in the frequency with which Fund Interest Units can be redeemed or subscribed for.

**"Potential Adjustment Event"** means any of the following:

- (i) a subdivision, consolidation or reclassification of the relevant number of Fund Interest Units or amount of Fund Interest, or a free distribution or dividend of any such Fund Interest to existing holders by way of bonus, capitalisation or similar issue;
- (ii) a distribution, issue or dividend to existing holders of the relevant Fund Interest of (A) an additional amount of such Fund Interest, or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Reference Fund equally or proportionately with such payments to holders of such Fund Interest, or (C) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Reference Fund as a result of a spin-off or other similar transaction, or (D) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent;
- (iii) an Extraordinary Dividend;

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- (iv) a repurchase by the Reference Fund of relevant Fund Interests whether the consideration for such repurchase is cash, securities or otherwise, other than in respect of a redemption of Fund Interests initiated by an investor in such Fund Interests that is consistent with the Fund Documents; or
- (v) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Fund Interest Units or amount of Fund Interest.

**"Regulatory Action"** means, with respect to any Fund Interest:

- (i) any cancellation, suspension or revocation of the registration or approval of such Fund Interest or the related Reference Fund by any governmental, legal or regulatory entity with authority over such Fund Interest or Reference Fund;
- (ii) any change in the legal, tax, accounting, or regulatory treatments of the relevant Reference Fund or its Fund Adviser that is reasonably likely to have an adverse impact on the value of such Fund Interest or on any investor therein (as determined by the Calculation Agent); or
- (iii) the related Reference Fund or any of its Fund Administrator or Fund Adviser becoming subject to any investigation, proceeding or litigation by any relevant governmental, legal or regulatory authority involving the alleged violation of applicable law for any activities relating to or resulting from the operation of such Reference Fund, Fund Administrator or Fund Adviser.

**"Related Agreement"** means any existing agreement or arrangement relating to (i) hedging arrangements in connection with the Securities, or (ii) any other arrangements the Reference Fund or any Fund Service Provider has with the Issuer and/or Hedging Party and any such agreement or arrangement may relate to, without limitation, dealing fees, liquidity or licensing.

**"Related Agreement Termination"** means the Reference Fund or any Fund Service Provider in respect of such Reference Fund is in breach of or has terminated any Related Agreement.

**"Removal Date"** means, in respect of an Affected Fund Interest, the date on which the Calculation Agent determines that a Hypothetical Investor would receive the Removal Value in respect of a redemption or realisation of such Affected Fund Interest (including any related non-monetary assets as referred to in the definition of Removal Value) effected as soon as reasonably practicable following the occurrence of the relevant Extraordinary Fund Event or Additional Extraordinary Fund Event, as applicable.

**"Removal Value"** means, in respect of an Affected Fund Interest, the amount that the Calculation Agent determines a Hypothetical Investor would receive on the redemption or realisation of such Affected Fund Interest following the occurrence of the relevant Extraordinary Fund Event or Additional Extraordinary Fund Event, as applicable Provided That if any such redemption proceeds would comprise non-monetary assets the Removal Value shall include the amount (if any) that the Calculation Agent determines would be received by the Hypothetical Investor in respect of a realisation (in whatsoever manner the Calculation Agent determines appropriate) of such non-monetary assets as soon as reasonably practicable after their receipt.

**"Reporting Disruption"** means, in respect of any Fund Interest, (i) occurrence of any event affecting such Fund Interest that, in the sole and absolute determination of (or, in the case of Italian Securities, as determined in good faith and in a reasonable manner by) the Calculation Agent, would make it impossible or impracticable for the Calculation Agent to determine the value of such Fund Interest for the purposes of and at such time as the Calculation Agent is required to make such determination under the Securities (ii) any failure of the related Reference Fund to deliver, or cause to be delivered, (A) information that such Reference Fund has agreed to deliver, or cause to be delivered to the Calculation Agent, or (B) information that has been previously delivered to the Calculation Agent, in accordance with such Reference Fund's, or its authorised representative's, normal practice and that the Calculation Agent deems necessary for it to monitor such Reference Fund's compliance with any investment guidelines, asset allocation methodologies or any other similar policies relating to such Fund Interests.

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**"Strategy Breach"** means any breach or violation of any strategy or investment guidelines stated in the related Fund Documents or any Related Agreement or otherwise published or notified by or on behalf of the Reference Fund or Fund Adviser, that is reasonably likely to affect the value of a Fund Interest or the rights or remedies of any holders thereof (in each case, as determined by the Calculation Agent).

### 7. EXCHANGE TRADED FUNDS (ETFs)

7.1 If "Exchange Traded Fund Provisions" are specified in the applicable Final Terms as being applicable, the following Additional Extraordinary Fund Events (each such term below as defined in the Equity Index Technical Annex containing Equity Index Linked Conditions for use in connection with Equity Index Linked Securities (the **"Equity Index Technical Annex"**)) shall apply to the Securities, subject as set out in Fund Linked Condition 7.2 below:

- (a) Additional Disruption Event;
- (b) Index Cancellation;
- (c) Index Disruption;
- (d) Index Modification; and
- (e) the occurrence of a Disrupted Day.

7.2 For the purpose of the deemed inclusion in these Fund Linked Conditions of the defined terms from the Equity Index Technical Annex set out in Fund Linked Condition 7.1 above, such terms shall be construed in accordance with the Equity Index Technical Annex, save that (i) the terms Valuation Date, Averaging Date, Calculation Agent, Trade Date, Affiliate, Guarantor, Guarantee and Securities shall have the meanings given in the N&C Security Conditions or the Warrant Conditions, as the case may be, the applicable Final Terms and these Fund Linked Conditions and the term Relevant Time shall mean the Scheduled Closing Time as defined in the Equity Index Technical Annex, (ii) for the purposes of the definition of Market Disruption Event, the Securities will be deemed to be Securities relating to a single Index and the Calculation Agent shall determine whether the Index (as defined below) is a Composite Index, (iii) for the purposes of the definition of Related Exchange, "All Exchanges" shall be deemed to be specified in the applicable Final Terms, and (iv) the following terms shall have the meaning set out below:

**"Component Security"** means each and any component security of any Index.

**"Index"** means, subject to adjustment in accordance with these Fund Linked Conditions, the Underlying Index specified in the applicable Final Terms or any Successor Index and related expressions shall be construed accordingly.

**"Index Sponsor"** means, subject to adjustment in accordance with these Fund Linked Conditions, the Underlying Index Sponsor specified in the applicable Final Terms or any Successor Sponsor.

**"Initial Stock Loan Rate"** means, in respect of a Component Security comprised in an Index, the rate which the Hedging Party would have incurred to borrow such Component Security on any Relevant Market as of the Trade Date, as determined by the Calculation Agent in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner).

**"Hedging Party"** means the Issuer or any Affiliate(s) of the Issuer or any entity (or entities) acting on behalf of the Issuer in any underlying or hedging transactions relating to an Index and/or the Fund Interest in respect of the Issuer's obligations under the Securities.

**"Hedging Shares"** means the number of Component Securities comprised in an Index that the Issuer deems necessary to hedge the equity or other price risk of entering into and performing its obligations with respect to the Securities.

**"Maximum Stock Loan Rate"** means, in respect of a Component Security comprised in an Index, the lowest rate which the Hedging Party, after using commercially reasonable efforts, would have incurred to borrow such Component Security

## *Funds Technical Annex*

on any Relevant Market, in an amount equal to the Hedging Shares, as of the Trade Date, as determined by the Calculation Agent in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner).

**"Relevant Market"** means, for the purpose of determining any value or other amount pursuant to these Fund Linked Conditions, any relevant quotation system, exchange, dealing system, screen page, over-the-counter derivatives or other market which the Calculation Agent determines appropriate for such purpose and which it may select taking into account hedging arrangements of the Issuer and/or its Affiliates for the Securities.

**"Successor Index"** means, in the event that the Index is:

- (a) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor (a **"Successor 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 the Index,

then in each case that index will be deemed to be a Successor Index.

- 7.3 The Securities are not sponsored, endorsed, sold or promoted by any Index or any Index Sponsor and no Index Sponsor makes any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Index and/or the levels at which the Index stands at any particular time on any particular date or otherwise. No Index or Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the Index and the Index Sponsor is under no obligation to advise any person of any error therein. No Index Sponsor is making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with the Securities. The Issuer (or, if applicable, the Guarantor) shall have no liability to the Securityholders for any act or failure to act by the Index Sponsor in connection with the calculation, adjustment or maintenance of the Index. Except as disclosed prior to the Issue Date specified in the applicable Final Terms, neither the Issuer (or, if applicable, the Guarantor) nor its Affiliates has any affiliation with or control over the Index or Index Sponsor or any control over the computation, composition or dissemination of the Index. Although the Calculation Agent will obtain information concerning the Indices from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer (or, if applicable, the Guarantor), its Affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Index.

## *Credit Technical Annex*

### CREDIT TECHNICAL ANNEX

#### ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED N&C SECURITIES

*The terms and conditions applicable to Credit Linked N&C Securities shall comprise the General Terms and Conditions of the N&C Securities (the "N&C Security Conditions"), the additional Terms and Conditions set out below (the "Credit Linked Conditions") and the Terms and Conditions as set out in each other Technical Annex which is specified as applicable in the applicable Final Terms (together with the N&C Security Conditions and the Credit Linked Conditions, the "Conditions"), in each case subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the N&C Security Conditions and the Credit Linked Conditions, the Credit Linked Conditions set out below shall prevail. In the event of any inconsistency between (i) the N&C Security Conditions and/or the Credit Linked Conditions and (ii) the Final Terms, the Final Terms shall prevail. Where Restructuring is specified in the applicable Final Terms as being an applicable Credit Event and Credit Linked Condition 15 (Credit Event Notice after Restructuring Credit Event) is applicable, there may be more than one Credit Event Determination Date in respect of the same Reference Entity as further described in Credit Linked Condition 15 (Credit Event Notice after Restructuring Credit Event) below. In addition, in the case of a Portfolio Credit Linked N&C Security or a Portfolio Maturity Settled Credit Linked N&C Security, there may be multiple Credit Event Determination Dates, but, other than as set out in the preceding sentence, only one Credit Event Determination Date in respect of each Reference Entity. A Credit Event Determination Date in respect of more than one Reference Entity may occur on any one date. For the avoidance of doubt, the provisions set out in these Credit Linked Conditions set out the mechanics that apply in respect of one Reference Entity and where applicable, shall apply severally to each Reference Entity for a Portfolio Credit Linked N&C Security or a Portfolio Maturity Settled Credit Linked N&C Security. References below to a numbered N&C Security Condition are to such numbered section of the N&C Security Conditions and references to a numbered Credit Linked Condition are to such numbered section as set out in this Technical Annex.*

Defined terms used in this Technical Annex where the same term may be used in another Technical Annex (e.g. Valuation Date) shall have the meanings given in this Technical Annex or in the section of the Final Terms relating to Credit Linked N&C Securities.

Unless otherwise stated in these Credit Linked Conditions or in the applicable Final Terms, in the event that any day specified in the "Credit Linked Redemption N&C Securities" section of the applicable Final Terms or the last day of any period calculated by reference to calendar days falls on a day that is not a Business Day, such day or last day shall be subject to adjustment in accordance with the applicable Business Day Convention.

For the avoidance of doubt, the Credit Linked Conditions shall not apply to Warrants.

#### **1. REDEMPTION OF CREDIT LINKED N&C SECURITIES**

Unless previously redeemed in whole or purchased and cancelled and subject to the provisions of this Technical Annex, each nominal amount of N&C Securities equal to the Calculation Amount will be redeemed by the Issuer at its Outstanding Redemption Amount (which may be zero) on the Maturity Date.

For the purposes of Credit Linked N&C Securities, "**Maturity Date**" means the latest to occur of:

- (i) the Scheduled Maturity Date;
- (ii) the last Credit Event Redemption Date capable of occurring;
- (iii) the last Physical Settlement Date or Final Delivery Date capable of occurring;
- (iv) the last Partial Cash Settlement Date capable of occurring;
- (v) the fifth (5th) Business Day following the last Repudiation/Moratorium Evaluation Date capable of occurring;
- (vi) the last Grace Period Extension Date capable of occurring;
- (vii) the fifth (5th) Business Day following the last DC Cut-off Date capable of occurring; and

## *Credit Technical Annex*

(viii) the last Postponed Maturity Date capable of occurring.

If Conditions to Settlement are satisfied then (subject as provided in Credit Linked Condition 4 (Auction Settlement) and Credit Linked Condition 23 (Variation of Settlement)) (i) if Cash Settlement is specified in the applicable Final Terms, the provisions of Credit Linked Condition 2 (Cash Settlement) shall apply, (ii) if Physical Delivery is specified in the applicable Final Terms, the provisions of Credit Linked Condition 3 (Physical Settlement) shall apply or (iii) if Auction Settlement is specified in the applicable Final Terms, the provisions of Credit Linked Condition 4 (Auction Settlement) shall apply, in each case, in respect of the relevant Credit Event.

### **2. CASH SETTLEMENT**

Subject as provided in these Credit Linked Conditions, if Conditions to Settlement are satisfied and (i) Cash Settlement is specified as the applicable Settlement Method in the applicable Final Terms or (ii) Credit Linked Condition 4(A) below applies, the Issuer shall give notice (such notice a "**Cash Settlement Notice**") to the Securityholders in accordance with N&C Security Condition 14 (Notices) such notice to include the details of the relevant Reference Entity, and:

- (a) in respect of N&C Securities which are not Portfolio Maturity Settled Credit Linked N&C Securities, redeem the Credit Event Portion of all but not some only of the N&C Securities and pay in respect of each unit or nominal amount of N&C Securities equal to the Calculation Amount, the Credit Event Redemption Amount specified in, or determined in the manner specified in the applicable Final Terms on the Credit Event Redemption Date; or
- (b) in respect of N&C Securities which are Portfolio Maturity Settled Credit Linked N&C Securities, redeem the aggregate of all Credit Event Portions (determined to and including the Maturity Date) of all but not some only of the N&C Securities and pay in respect of each unit or nominal amount of N&C Securities equal to the Calculation Amount, an amount equal to the aggregate of all Credit Event Redemption Amounts (determined to and including the Maturity Date) specified in, or determined in the manner specified in the applicable Final Terms on the Maturity Date.

For the avoidance of doubt settlement in accordance with this Credit Linked Condition 2 (as provided above) shall occur upon satisfaction of the Conditions to Settlement notwithstanding that the related Cash Settlement Notice may be given later, and in some cases significantly later, than the Credit Event Determination Date.

Unless (i) otherwise stated in the applicable Final Terms or (ii) the Securities are Portfolio Credit Linked N&C Securities or Portfolio Maturity Settled Credit Linked N&C Securities, subject as provided in these Credit Linked Conditions if (a) First to Default is specified as applicable in the applicable Final Terms and (b) more than one Reference Entity is specified in the applicable Final Terms, a Credit Event Determination Date may only occur and a Cash Settlement Notice may only be delivered on one occasion. If Conditions to Settlement are satisfied in respect of more than one Reference Entity on the same date other than in the case of Portfolio Credit Linked N&C Securities or Portfolio Maturity Settled Credit Linked N&C Securities, the Calculation Agent shall determine which Reference Entity is the Reference Entity in respect of which a Credit Event Determination Date shall occur.

If the N&C Securities are partially redeemed, each relevant N&C Security or, if the N&C Securities are represented by a Global N&C Security, such Global N&C Security, shall be endorsed to reflect such part redemption. If the Calculation Agent, at any time, determines that the aggregate nominal amount of the N&C Securities is thereby reduced to zero, the Issuer's obligations in respect of such N&C Securities shall immediately be discharged and the Issuer shall have no further liability in respect thereof.

***If Conditions to Settlement are satisfied and the N&C Securities become redeemable in whole or in part in accordance with this Credit Linked Condition 2, upon payment of the Credit Event Redemption Amount(s) in respect of the N&C Securities, the Issuer shall have discharged its obligations in respect of the relevant Credit Event Portion of the N&C Securities and shall have no other liability or obligation whatsoever in respect thereof. The Credit Event Redemption Amount may be less than the Calculation Amount of a N&C Security. Any shortfall shall be borne by the Securityholders and no liability shall attach to the Issuer or the Guarantor.***



**3. PHYSICAL SETTLEMENT**

Subject as provided in these Credit Linked Conditions, if Conditions to Settlement are satisfied and (i) Physical Delivery is specified as the applicable Settlement Method in the applicable Final Terms or (ii) Credit Linked Condition 4(B) below applies, the Issuer shall, following receipt of a Calculation Agent Physical Settlement Notice, give notice (such notice a "**Notice of Physical Settlement**") to the Securityholders, in accordance with N&C Security Condition 14 (Notices), such notice to include the details of the relevant Reference Entity, and redeem the Credit Event Portion of all but not some only of the N&C Securities and Deliver in respect of each unit or nominal amount of N&C Securities equal to the Calculation Amount, the Deliverable Obligations comprising the Asset Amount on the Physical Settlement Date, subject to and in accordance with Credit Linked Conditions 9 (Maturity Date Extension) and 10 (Physical Delivery).

If the N&C Securities are partially redeemed, each relevant N&C Security or, if the N&C Securities are represented by a Global N&C Security, such Global N&C Security, shall be endorsed to reflect such part redemption. If the Calculation Agent, at any time, determines that the aggregate nominal amount of the N&C Securities is thereby reduced to zero, the Issuer's obligations in respect of such N&C Securities shall immediately be discharged and the Issuer shall have no further liability in respect thereof.

For the avoidance of doubt settlement in accordance with this Credit Linked Condition 3 (as provided above) shall occur upon satisfaction of the Conditions to Settlement notwithstanding that the related Notice of Physical Settlement may be given later, and in some cases significantly later, than the Credit Event Determination Date.

In the Notice of Physical Settlement, the Issuer shall specify 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.

The Issuer may, from time to time, amend a Notice of Physical Settlement by delivering a notice to Securityholders in accordance with N&C Security Condition 14 (Notices) (each such notification, a "**Physical Settlement 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 Physical Settlement Amendment Notice, as applicable, (to the extent the relevant Deliverable Obligation has not been Delivered as of the date of such Physical Settlement Amendment Notice). A Physical Settlement Amendment Notice shall specify each replacement Deliverable Obligation that the Issuer will, subject to Credit Linked Condition 10 (Physical Delivery), Deliver (each, a "**Replacement Deliverable Obligation**") and shall also specify the Outstanding Principal Balance or Due and Payable Amount (determined on the same basis as in the definition of Asset Amount) of each Deliverable Obligation identified in the Notice of Physical Settlement or a prior Physical Settlement Amendment Notice, as applicable, that is being replaced or the equivalent Currency Amount of any such amount (with respect to each such Deliverable Obligation, the "**Replaced Deliverable Obligation Outstanding Amount**"). The Replacement Deliverable Obligation(s), taken together, shall have an aggregate Replaced Deliverable Obligation Outstanding Amount at least equal to the Outstanding Principal Balance(s) and/or Due and Payable Amount(s) (or the equivalent Currency Amount(s) of any such amount(s)) of the Deliverable Obligations being replaced. Each such Physical Settlement Amendment Notice must be delivered on or prior to the Physical Settlement Date (determined without reference to any change resulting from such Physical Settlement Amendment Notice). Notwithstanding the foregoing, the Issuer may correct any errors or inconsistencies contained in the Notice of Physical Settlement or any Physical Settlement Amendment Notice, as applicable, by notice to Securityholders (in accordance with N&C Security Condition 14 (Notices) prior to the relevant Delivery Date; it being understood that such notice of correction shall not constitute a Physical Settlement Amendment Notice.

If "Restructuring Maturity Limitation and Fully Transferable Obligation" is specified as applying in the applicable Final Terms and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Deliverable Obligation may be included in the Asset Amount only if it (i) is a Fully Transferable Obligation and (ii) has a final maturity date not later than the applicable Restructuring Maturity Limitation Date.

If "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applying in the applicable Final Terms and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Deliverable Obligation may be included in the Asset Amount only if it (i) is a Conditionally Transferable Obligation and (ii) has a final maturity date not later than the applicable Modified Restructuring Maturity Limitation Date.

## *Credit Technical Annex*

*If Conditions to Settlement are satisfied and the N&C Securities become redeemable in whole or in part in accordance with this Credit Linked Condition 3, upon Delivery of the Deliverable Obligations Deliverable and/or payment of the Partial Cash Settlement Amounts, as the case may be, the Issuer shall have discharged its obligations in respect of the relevant Credit Event Portion of the N&C Securities and shall have no other liability or obligation whatsoever in respect thereof. The value of such Deliverable Obligations and/or the Partial Cash Settlement Amount may be less than the Calculation Amount of a N&C Security. Any shortfall shall be borne by the Securityholders and no liability shall attach to the Issuer or the Guarantor.*

#### 4. AUCTION SETTLEMENT

If Conditions to Settlement are satisfied and Auction Settlement is specified as the applicable Settlement Method in the applicable Final Terms and a Credit Event Determination Date occurs on or prior to the Auction Final Price Determination Date, the Issuer shall give notice (such notice an "Auction Settlement Notice") to the Securityholders in accordance with N&C Security Condition 14 (Notices) and, subject to any adjustment in accordance with Credit Linked Condition 15 (Credit Event Notice after Restructuring Credit Event), redeem the Credit Event Portion of all but not some only of the N&C Securities, each such Credit Event Portion of each N&C Security equal to the Calculation Amount being redeemed at the Credit Event Redemption Amount determined in the manner specified in the applicable Final Terms on the Credit Event Redemption Date.

Unless settlement has occurred in accordance with the paragraph above, if:

- (i) an Auction Cancellation Date occurs;
- (ii) a No Auction Announcement Date occurs (and in circumstances where such No Auction Announcement Date occurs pursuant to paragraph (b) of the definition of No Auction Announcement Date, the Issuer has not exercised the Movement Option);
- (iii) ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved, following a Credit Event Resolution Request Date, not to determine the matters described in paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date;
- (iv) a Credit Event Determination Date was determined pursuant to paragraph (a) of the definition of Credit Event Determination Date and no Credit Event Resolution Request Date has occurred on or prior to the date falling three (3) Business Days after such Credit Event Determination Date; or
- (v) a Credit Event Determination Date was determined pursuant to paragraph (b)(ii)(A) or (b)(ii)(B) of the definition of Credit Event Determination Date,

then:

- (A) if Fallback Settlement Method – Cash Settlement is specified as applicable in the applicable Final Terms, the Issuer shall redeem the relevant Credit Event Portion(s) of the N&C Securities in accordance with Credit Linked Condition 2 above; or
- (B) if Fallback Settlement Method – Physical Delivery is specified as applicable in the applicable Final Terms, the Issuer shall redeem the relevant Credit Event Portion(s) of the N&C Securities in accordance with Credit Linked Condition 3 above.

*If Conditions to Settlement are satisfied and the N&C Securities become redeemable in whole or in part in accordance with this Credit Linked Condition 4, upon payment of the Credit Event Redemption Amount(s) in respect of the N&C Securities, the Issuer shall have discharged its obligations in respect of the relevant Credit Event Portion of the N&C Securities and shall have no other liability or obligation whatsoever in respect thereof. The Credit Event Redemption Amount may be less than the Calculation Amount of a N&C Security. Any shortfall shall be borne by the Securityholders and no liability shall attach to the Issuer or the Guarantor.*

## *Credit Technical Annex*

### 5. INTEREST

Subject as provided below each of the N&C Securities will bear interest pursuant to and in accordance with N&C Security Condition 5 (Interest), provided that (i) for the purposes of determining the interest amounts in respect of Portfolio Credit Linked N&C Securities and Portfolio Maturity Settled Credit Linked N&C Securities, the aggregate outstanding nominal amount of the N&C Securities shall be deemed to be the Weighted Average Outstanding Redemption Amount on the relevant Interest Payment Date and (ii) in the case of interest bearing N&C Securities other than Portfolio Credit Linked N&C Securities or Portfolio Maturity Settled Credit Linked N&C Securities, if Conditions to Settlement are satisfied, then (x) if "Accrual of Interest upon a Credit Event" is specified as Not Applicable in the applicable Final Terms, each N&C Security shall cease to bear interest from the Interest Payment Date immediately preceding the Credit Event Determination Date, or if the Credit Event Determination Date is an Interest Payment Date such Interest Payment Date (but the Issuer shall only be obliged to make payment of such interest on the Credit Event Redemption Date or Physical Settlement Date, as applicable, and no further amount shall be payable in respect of any such delay) or, if the Credit Event Determination Date falls prior to the first Interest Payment Date, no interest shall accrue on the N&C Securities; or (y) if "Accrual of Interest upon a Credit Event" is specified as being Applicable in the applicable Final Terms, each N&C Security shall cease to bear interest from the Credit Event Determination Date. For the avoidance of doubt the above provisions are subject to adjustment in certain circumstances as provided in these Credit Linked Conditions and including the final paragraph of the definition of Credit Event Determination Date in Credit Linked Condition 14 (Definitions Applicable to Credit Linked N&C Securities).

For the purposes of this Credit Linked Condition 5:

**"Weighted Average Outstanding Redemption Amount"** means, on any Interest Payment Date, the quotient of (a) the sum of the Outstanding Redemption Amount determined in respect of each day in the immediately preceding Interest Period or Fixed Rate N&C Security Interest Period, as applicable (provided that for the purposes of this Credit Linked Condition 5 only, the Outstanding Redemption Amount shall be deemed to be reduced by each Credit Event Portion on the related Credit Event Determination Date, rather than the related Credit Event Redemption Date in respect of a Portfolio Credit Linked N&C Security or the date on which the Final Price or Auction Final Price, as applicable, is calculated in respect of a Portfolio Maturity Settled Credit Linked N&C Security) (as numerator) and (b) the actual number of days in such Interest Period or Fixed Rate N&C Security Interest Period, as applicable (as denominator).

### 6. REPUDIATION/MORATORIUM EXTENSION

Where Repudiation/Moratorium is specified as a Credit Event in the applicable Final Terms, the provisions of this Credit Linked Condition 6 shall apply.

Where (i) Conditions to Settlement in respect of a Reference Entity have not been satisfied on or prior to the Scheduled Maturity Date (determined by reference to the Relevant Time) and (ii) the Repudiation/Moratorium Extension Condition has been satisfied on or prior to the Scheduled Maturity Date or, if Credit Linked Condition 9 (Maturity Date Extension) applies, the Postponed Maturity Date and the Repudiation/Moratorium Evaluation Date in respect of such Potential Repudiation Moratorium will, in the determination of the Calculation Agent, fall after the Scheduled Maturity Date, then the Calculation Agent shall notify the Securityholders in accordance with N&C Security Condition 14 (Notices) that a Potential Repudiation/Moratorium has occurred, giving details of the relevant Reference Entity and:

- (i) where a Repudiation/Moratorium has not occurred on or prior to the Repudiation/Moratorium Evaluation Date:
  - (A) Credit Linked Condition 1 (Redemption of Credit Linked N&C Securities) shall apply; and
  - (B) in the case of interest bearing N&C Securities only, the Issuer shall be obliged 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 but shall only be obliged to make such payment of interest on the Maturity Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; and

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- (ii) where a Repudiation/Moratorium has occurred on or prior to the Repudiation/ Moratorium Evaluation Date and Conditions to Settlement are satisfied, the provisions of Credit Linked Condition 2 (Cash Settlement), Credit Linked Condition 3 (Physical Settlement) or Credit Linked Condition 4 (Auction Settlement), as applicable, shall apply to the relevant Credit Event Portion of the N&C Securities.

### **7. GRACE PERIOD EXTENSION**

If "Grace Period Extension" is specified as applying in the applicable Final Terms, the provisions of this Credit Linked Condition 7 shall apply.

Where (i) Conditions to Settlement in respect of a Reference Entity have not been satisfied on or prior to the Scheduled Maturity Date (determined by reference to the Relevant Time) and (ii) in the determination of the Calculation Agent, a Potential Failure to Pay has 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 the Relevant Time) (and such Grace Period(s) is/are continuing as at the Scheduled Maturity Date), then:

- (i) where a Failure to Pay has not occurred on or prior to the Grace Period Extension Date:
  - (A) Credit Linked Condition 1 (Redemption of Credit Linked N&C Securities) shall apply; and
  - (B) in the case of interest bearing N&C Securities, the Issuer shall be obliged 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 but shall only be obliged to make such payment of interest on the Maturity Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; and
- (ii) where a Failure to Pay has occurred on or prior to the Grace Period Extension Date and Conditions to Settlement are satisfied, the provisions of Credit Linked Condition 2 (Cash Settlement), Credit Linked Condition 3 (Physical Settlement) or Credit Linked Condition 4 (Auction Settlement), as applicable, shall apply to the relevant Credit Event Portion of the N&C Securities.

### **8. CREDIT DERIVATIVES DETERMINATIONS COMMITTEE EXTENSION**

If, in the determination of the Calculation Agent, a Potential Credit Event has occurred and the Credit Derivatives Determinations Committee has not made its determination on or prior to the Scheduled Maturity Date (determined by reference to the Relevant Time) then the Calculation Agent shall notify Securityholders in accordance with N&C Security Condition 14 (Notices) that the Maturity Date has been postponed to a date (the "**DC Cut-off Date**") being the earliest of: (i) fifteen (15) Business Days following the date on which the Credit Derivatives Determinations Committee Resolves that a Credit Event has occurred; (ii) the second business day following the date on which the Credit Derivatives Determinations Committee Resolves that a Credit Event has not occurred and (iii) fifteen (15) Business Days following the date on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine whether a Credit Event has occurred and:

- (i) where a Credit Event has not occurred on or prior to the DC Cut-off Date:
  - (A) Credit Linked Condition 1 (Redemption of Credit Linked N&C Securities) shall apply; and
  - (B) in the case of interest bearing N&C Securities, the Issuer shall be obliged 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 but shall only be obliged to make such payment of interest on the fifth (5<sup>th</sup>) Business Day following the DC Cut-off Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or

## *Credit Technical Annex*

- (ii) where a Credit Event has occurred on or prior to the DC Cut-off Date and Conditions to Settlement are satisfied, the provisions of Credit Linked Condition 2 (Cash Settlement), Credit Linked Condition 3 (Physical Settlement), or Credit Linked Condition 4 (Auction Settlement), as applicable, shall apply to the relevant Credit Event Portion of the N&C Securities.

### **9. MATURITY DATE EXTENSION**

Without prejudice to Credit Linked Condition 12 (Settlement Suspension), if:

- (x) on or prior to (A) the Scheduled Maturity Date or, (B), if applicable, the Repudiation/Moratorium Evaluation Date, (C) if Grace Period Extension is specified as applying in the applicable Final Terms, the Grace Period Extension Date, or (D) if applicable, the DC Cut-off Date, as the case may be, Conditions to Settlement have not been satisfied but, in the opinion of the Calculation Agent, a Credit Event may have occurred; or
- (y) on or prior to the Scheduled Maturity Date, in the opinion of the Calculation Agent a Potential Repudiation/Moratorium may have occurred,

the Calculation Agent may at its option notify the Securityholders in accordance with N&C Security Condition 14 (Notices) that the Maturity Date, the Repudiation/Moratorium Evaluation Date, the Grace Period Extension Date or the DC Cut-off Date, as the case may be, has been postponed to a date (such date the "**Postponed Maturity Date**") specified in such notice falling on the fifth (5th) Business Day immediately following the fourteenth (14th) calendar day after the Scheduled Maturity Date, the Repudiation/Moratorium Evaluation Date, the Grace Period Extension Date or the DC Cut-off Date, as the case may be, or if such day is not a Business Day the immediately succeeding Business Day, and:

where:

- (i) in the case of Credit Linked Condition 9(x), Conditions to Settlement are not satisfied on or prior to the Postponed Maturity Date or, in the case of Credit Linked Condition 9(y), the Repudiation/Moratorium Extension Condition is not satisfied on or prior to the Postponed Maturity Date:
  - (A) Credit Linked Condition 1 (Redemption of Credit Linked N&C Securities) shall apply; and
  - (B) in the case of interest bearing N&C Securities, the Issuer shall be obliged 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 but shall only be obliged to make such payment of interest on the Maturity Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or
- (ii)
  - (A) in the case of Credit Linked Condition 9(x), Conditions to Settlement are satisfied on or prior to the Postponed Maturity Date, the provisions of Credit Linked Condition 2 (Cash Settlement), Credit Linked Condition 3 (Physical Settlement) or Credit Linked Condition 4 (Auction Settlement) as applicable shall apply to the relevant Credit Event Portion of the N&C Securities; or
  - (B) in the case of Credit Linked Condition 9(y), the Repudiation/Moratorium Extension Condition is satisfied on or prior to the Postponed Maturity Date, the provisions of Credit Linked Condition 6 (Repudiation/Moratorium Extension) shall apply to the relevant Credit Event Portion of the N&C Securities.

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### **10. PHYSICAL DELIVERY**

(a) If any Credit Event Portion of a Credit Linked N&C Security, other than a Credit Linked N&C Security represented by a Rule 144A Global N&C Security, is to be redeemed by delivery of the Asset Amount(s), in order to obtain delivery of the Asset Amount(s) in respect of any Credit Event Portion of a N&C Security:

- (X) if such N&C Security is represented by a Global N&C Security, the relevant Securityholder must deliver to Euroclear or Clearstream, Luxembourg (as applicable), with a copy to the Principal Paying Agent and the Calculation Agent no later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice in the form set out in the Agency Agreement; and
- (Y) if such N&C Security is in definitive form, the relevant Securityholder must deliver (i) if this N&C Security is a Bearer N&C Security, to any Paying Agent or (ii) if this N&C Security is a Definitive Registered N&C Security, to the Registrar or any Paying Agent, in each case, with a copy to the Principal Paying Agent no later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice, a copy of which may be obtained from the Calculation Agent.

An Asset Transfer Notice may only be delivered (i) if such N&C Security is represented by a Global N&C Security, in such manner as is acceptable to Euroclear or Clearstream, Luxembourg, as the case may be, or (ii) if such N&C Security is in definitive form, in writing.

If this N&C Security is in definitive form, this N&C Security must be delivered together with the duly completed Asset Transfer Notice.

The Asset Transfer Notice shall:

- (i) specify the name, address and contact telephone number of the relevant Securityholder and the person from whom the Issuer may obtain details for the Delivery of the Asset Amount;
- (ii) specify the series number of the N&C Securities and the number of N&C Securities which are the subject of such notice;
- (iii) in the case of N&C Securities represented by a Global N&C Security, specify the nominal amount or, in the case of N&C Securities issued in units, number of N&C Securities which are the subject of such notice and the number of the Securityholder's account at Euroclear or Clearstream, Luxembourg, as the case may be, to be debited with such N&C Securities and irrevocably instruct and authorise the relevant Clearance System to debit the relevant Securityholder's account with the Credit Event Portion of such N&C Securities on or before the Physical Settlement Date;
- (iv) include an undertaking to pay all Delivery Expenses (as defined below) and, in the case of N&C Securities represented by a Global N&C Security, an authority to debit a specified account of the Securityholder with Euroclear or Clearstream, Luxembourg, as the case may be in respect thereof and to pay such Delivery Expenses;
- (v) include such details as are required for Delivery of the Asset Amount which may include account details and/or the name and address of any person(s) into whose name evidence of the Asset Amount is to be registered and/or any bank, broker or agent to whom documents evidencing the Asset Amount are to be delivered and specify the name and number of the Securityholder's account to be credited with any cash payable by the Issuer;
- (vi) certify that the beneficial owner of each N&C Security is not a U.S. person (as defined in the Asset Transfer Notice), the N&C Security is not being redeemed within the United States or on behalf of a U.S. person and no cash, securities or other property have been or will be delivered within the United States or to, or for the account or benefit of, a U.S. person in connection with any redemption thereof;
- (vii) authorise the production of such certification in any applicable administrative or legal proceedings,

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all as provided in the Agency Agreement.

(b) Notification of Deliverable Obligations

The Issuer shall give notice to Securityholders prior to the relevant Physical Settlement Date of 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.

(c) Verification of the Securityholder

In the case of N&C Securities represented by a Global N&C Security, upon receipt of an Asset Transfer Notice, Euroclear or Clearstream, Luxembourg, as the case may be, shall verify that the person Delivering the Asset Transfer Notice is the holder of the N&C Securities described therein according to its records. Subject thereto, Euroclear or Clearstream, Luxembourg, as the case may be, will confirm to the Principal Paying Agent the series number and number of N&C Securities the subject of such notice, the relevant account details and the details for the Delivery of the Asset Amount of each N&C Security. Upon receipt of such confirmation, the Principal Paying Agent will inform the Issuer thereof. Euroclear or Clearstream, Luxembourg, as the case may be, will on or before the Physical Settlement Date, debit the securities account of the relevant Securityholder with the Credit Event Portion of the relevant N&C Securities.

(d) Determinations and Delivery Expenses

Any determination as to whether an Asset Transfer Notice is duly completed and in proper form shall be made, in the case of N&C Securities represented by a Global N&C Security, by Euroclear or Clearstream, Luxembourg, as the case may be, or, in the case of N&C Securities in definitive form, by the relevant Paying Agent or the Registrar, as the case may be, in each case in consultation with the Principal Paying Agent, and shall be conclusive and binding on the Issuer, the Principal Paying Agent(s) and the relevant Securityholder. Subject as set out below, any Asset Transfer Notice so determined to be incomplete or not in proper form, or which is not copied to the Principal Paying Agent immediately after being delivered or sent as provided in paragraph (a) above, shall be null and void.

If such Asset Transfer Notice is subsequently corrected to the satisfaction of, in the case of N&C Securities represented by a Global N&C Security, Euroclear or Clearstream, Luxembourg, as the case may be, or, in the case of N&C Securities in definitive form, by the relevant Paying Agent or the Registrar, as the case may be, in each case in consultation with the Principal Paying Agent, it shall be deemed to be a new Asset Transfer Notice submitted at the time such correction was delivered as provided above.

No Asset Transfer Notice may be withdrawn after receipt thereof by the relevant Clearance System, the Registrar or a Paying Agent, as the case may be, as provided above. After delivery of an Asset Transfer Notice, the relevant Securityholder may not transfer the N&C Securities which are the subject of such notice.

All costs, taxes, duties and/or expenses including any applicable depositary charges, transaction or exercise charges, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or other costs, duties or taxes which the Calculation Agent determines may be or would be, or would have been incurred (i) in connection with the redemption of the N&C Securities and/or the Delivery of the Asset Amount in respect of such N&C Securities and (ii) by the Issuer or any Affiliate had such entity unwound or varied any underlying related hedging arrangements in respect of the N&C Security ("**Delivery Expenses**") shall be for the account of the relevant N&C Securityholder and no Asset Amount will be Deliverable until the relevant Delivery Expenses have been met or otherwise accounted for to the satisfaction of the Issuer.

(e) Delivery

(i) Subject to:

- (A) an Asset Transfer Notice having been duly delivered as provided above on or prior to the Cut-Off Date;  
and

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- (B) all Delivery Expenses having been paid or otherwise accounted for to the satisfaction of the Issuer by the relevant Securityholder,

the Issuer shall, at the risk of the relevant Securityholder, Deliver or procure the Delivery of the Asset Amount for the Credit Event Portion of each N&C Security, pursuant to the details specified in the Asset Transfer Notice or in such commercially reasonable manner as the Calculation Agent shall in its sole discretion determine and notify to the person designated by the Securityholder in the relevant Asset Transfer Notice on the Physical Settlement Date. Where the Asset Transfer Notice stipulates that the Asset Amount should be Delivered to a specified clearing system, the Issuer's or the Guarantor's obligation to Deliver such Asset Amount will be discharged by Delivery to, or to the order of, the relevant clearing system and each of the persons shown in the records of the relevant clearing system as the account holder must look solely to the relevant clearing system for his share of any Asset Amount so Delivered.

- (ii) If a Securityholder fails to give an Asset Transfer Notice as provided herein with a copy to the Principal Paying Agent, on or prior to the Cut-Off Date, then:

(A) the Issuer may elect, in its sole discretion to Deliver or procure the Delivery of the aggregate Asset Amounts for the Credit Event Portion of all such affected N&C Securities, at the risk of the relevant Securityholder, to, or to the order of, the relevant Clearance System(s) in which the N&C Securities are held and its obligation to Deliver any such Asset Amount so Delivered shall be discharged thereby. Each of the persons shown in the records of the relevant Clearance System as the holder of a particular amount of the N&C Securities must look solely to the relevant Clearance System for his share of each such Asset Amount so Delivered to, or to the order of, such Clearance System. For the purposes of paragraph (iv) below, each Clearance System will be deemed to be a single Securityholder and each Clearance System will be requested to divide and deliver such Asset Amounts in accordance with its rules; or

(B) the Asset Amount(s) will be Delivered as soon as practicable after the scheduled Physical Settlement Date (in which case, such date of Delivery shall be deemed to be the Physical Settlement Date) at the risk of such Securityholder in the manner provided below, *Provided That* if, in respect of a N&C Security, a Securityholder fails to give an Asset Transfer Notice prior to the day falling 180 calendar days after the Cut Off Date, the obligations of the Issuer and the Guarantor in respect of such N&C Securities shall be discharged and neither the Issuer nor the Guarantor shall have any liability in respect thereof. For the avoidance of doubt, in such circumstances such Securityholder shall not be entitled to any payment, whether of interest or otherwise, as a result of such Physical Settlement Date falling after the date fixed for redemption and no liability in respect thereof shall attach to the Issuer.

- (iii) To the extent that the Issuer is not satisfied that the Delivery Expenses have been or will be paid in full by the relevant Securityholder on or prior to the relevant Physical Settlement Date, the Issuer may, in its sole discretion, elect to reduce the Asset Amount(s) to be Delivered to that Securityholder by an amount(s) which by market value (determined at the time of reduction by reference to such valuation sources as the Issuer determines appropriate) in aggregate is at least equal to the aggregate Delivery Expenses that it determines, in its sole discretion, have not been paid or otherwise accounted for (the Asset Amount as so reduced, the "**Reduced Asset Amount**"). Where the Issuer elects to make such a reduction, in accordance with this Credit Linked Condition 10(e)(iii) the Issuer's obligation to Deliver the Asset Amount(s) shall be discharged in full by Delivery of the Reduced Asset Amount(s) in accordance with the provisions of this Credit Linked Condition 10(e). The provisions of these Credit Linked Conditions shall apply *mutatis mutandis* to any such Delivery of the Reduced Asset Amount.

- (iv) For the purpose of determining the Asset Amounts in respect of the N&C Securities, N&C Securities held by the same Securityholder will be aggregated. The aggregate Asset Amount(s) to be delivered in respect of each such aggregated holding will be rounded down to the nearest whole unit of the relevant Deliverable Obligation (or, where there is more than one type of Deliverable Obligation, each of the Deliverable Obligations), as the case may be, in such manner as the Calculation Agent shall determine. Therefore, fractions of the Deliverable Obligation or of each of the Deliverable Obligations, as the case may be, will not be delivered but in lieu thereof



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the Issuer shall pay to the Securityholders in respect of their respective holding an additional amount in the Specified Currency equal to the fair market value of such fraction(s) in such manner as shall be determined by the Calculation Agent in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner) and notified to Securityholders in accordance with N&C Security Condition 14 (Notices).

(f) **General**

After Delivery of an Asset Amount in respect of a N&C Security and for the Intervening Period, none of the Issuer, the Guarantor, the Calculation Agent and any other person shall at any time (i) be under any obligation to deliver or procure delivery to any Securityholder any letter, certificate, notice, circular or any other document or, except as provided herein, payment whatsoever received by that person in respect of the securities or obligations included in such Asset Amount, (ii) be under any obligation to exercise or procure exercise of any or all rights attaching to such securities or obligations included in such Asset Amount or (iii) be under any liability to a Securityholder in respect of any loss or damage which such Securityholder 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 included in such Asset Amount.

(g) 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 N&C Security 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 65th Business Day following the Physical Settlement Date (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 Credit Linked Condition 11 (Partial Cash Settlement) shall apply.

(h) If any N&C Security represented by a Rule 144A Global N&C Security is to be redeemed (in whole or in part) by Delivery of an Asset Amount, the relevant provisions relating to such Delivery shall be set out in the applicable Final Terms.

### **11. PARTIAL CASH SETTLEMENT**

If all or a portion of the obligations comprising the Asset Amount are Undeliverable Obligations and/or Hedge Disruption Obligations, the Issuer shall give notice (a "**Partial Cash Settlement Notice**") to the Securityholders in accordance with N&C Security Condition 14 (Notices) and the Issuer shall pay in respect of each Undeliverable Obligation and/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 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 Credit Linked Condition 11 the following terms shall be defined as follows:

**"Full Quotation"** means, in relation to any Undeliverable Obligation and in accordance with the Quotation Method, each firm quotation expressed as a percentage 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,

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disregarding the Full Quotations having the same 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 (b) 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; (vii) if two or more Full Quotations or a Weighted Average Quotation are not obtained or (if applicable) fewer than three Indicative Quotations are obtained, the Market Value shall be determined as provided in paragraph (b) of the definition of "Quotation" below; and (viii) if the Quotations are deemed to be zero, the Market Value shall be zero.

**"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 or Auction Final Price, if applicable, with respect to such Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, less, (other than in the case of Italian SeDeX Securities), 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"** means, subject to Credit Linked Condition 12 (Settlement Suspension), the day falling five (5) Business Days after (i) the calculation of the Final Price or (ii) the Auction Final Price Determination Date, as applicable, in each case in respect of such Undeliverable Obligations or Hedge Disruption Obligation, as the case may be.

**"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:

- (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 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.
- (b) 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.

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- (c) 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.
- (d) 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 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 Method**" 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.

## 12. SETTLEMENT SUSPENSION

- (a) Suspension

Without prejudice to Credit Linked Condition 9 (Maturity Date Extension) above, if, following the determination of a Credit Event Determination Date in accordance with sub-paragraph (a) of the definition of Credit Event Determination Date but prior to the relevant Physical Settlement Date or, to the extent applicable, a Valuation Date, ISDA publicly announces that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date are satisfied in accordance with the Rules, the Calculation Agent may, at its option, determine that the applicable timing requirements of these Credit Linked Conditions and the definitions of Credit Event Redemption Date, Valuation Date, Physical Settlement Period, and any other provision in these Credit Linked Conditions as determined by the Calculation Agent shall toll and be suspended and remain suspended (such period of suspension, a "**Suspension Period**") until such time as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved (i) the matters described in sub-paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date or (ii) not to determine such matters. Once ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved (A) the matters described in sub-paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date or (B) not to determine such matters, the relevant timing requirements of these Credit Linked Conditions that have previously tolled or been suspended shall resume on the Business Day following such public announcement by ISDA.

In the event of any such Suspension Period, the Calculation Agent may make (x) such consequential or other adjustment(s) or determination(s) to or in relation to these Credit Linked Conditions as may be desirable or required either during or

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following any relevant Suspension Period to account for or reflect such suspension and (y) determine the effective date of such adjustment(s) or determination(s).

(b) Interest

In the case of interest bearing N&C Securities:

- (i) if a Suspension Period falls in any one or more Interest Period(s), then no interest (or any interest on any delayed payment of interest) shall accrue during each portion of an Interest Period during which a Suspension Period exists; and
- (ii) if an Interest Payment Date falls in a Suspension Period, such Interest Payment Date will be deferred until such date as determined by the Calculation Agent falling no earlier than the first Payment Date and no later than the fifth Payment Date following the end of the Suspension Period, all subject to the provisions of N&C Security Condition 5 (Interest) and Credit Linked Condition 6 (Repudiation/Moratorium Extension), Credit Linked Condition 7 (Grace Period Extension) and Credit Linked Condition 8 (Credit Derivatives Determinations Committee Extension).

### 13. REDEMPTION FOLLOWING A MERGER EVENT

Where "Merger Event" is specified as applying in the applicable Final Terms, in the event that in the determination of the Calculation Agent a Merger Event has occurred, the Issuer may give notice to the Securityholders in accordance with N&C Security Condition 14 (Notices) and redeem each N&C Security at the Early Redemption Amount on the Merger Event Redemption Date (as specified in the applicable Final Terms).

### 14. DEFINITIONS APPLICABLE TO CREDIT LINKED N&C SECURITIES

**"2.5-year Limitation Date"** has the meaning given to that term in the definition of "Limitation Date".

**"5-year Limitation Date"** has the meaning given to that term in the definition of "Limitation Date".

**"20-year Limitation Date"** has the meaning given to that term in the definition of "Limitation 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 accreted 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) 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.

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**"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 Credit Event"** means, in respect of N&C Securities, an event specified as such in the applicable Final Terms.

**"Asset Amount"** means, subject to the provisions of Credit Linked Condition 10 (Physical Delivery), in respect of each nominal amount of N&C Securities equal to the relevant Credit Event Portion, Deliverable Obligations, as selected by the Calculation Agent, with:

- (a) in the case of Deliverable Obligations that are Borrowed Money, 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
- (b) in the case of Deliverable Obligations that are not Borrowed Money, a Due and Payable Amount,

(or, in the case of either (a) or (b), the equivalent Currency Amount of any such amount), in an aggregate amount as of the relevant Delivery Date equal to or greater than the relevant Credit Event Portion less, (other than in the case of Italian SeDeX Securities), if Unwind Costs are specified as applying in the applicable Final Terms, Deliverable Obligations with a market value determined by the Calculation Agent on the Business Day selected by the Calculation Agent falling during the period from and including the Credit Event Determination Date to and including the Delivery Date less than or equal to the Unwind Costs.

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.

**"Asset Transfer Notice"** means a duly completed asset transfer notice, the form of which may be obtained from the Calculation Agent.

**"Auction"** shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Auction Cancellation Date"** shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Auction Covered Transaction"** shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Auction Final Price"** shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Auction Final Price Determination Date"** shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Auction Settlement Date"** shall mean the date that is the number of Business Days as shall be specified in the relevant Transaction Auction Settlement Terms (or, if a number of Business Days is not so specified, five (5) Business Days) immediately following the Auction Final Price Determination Date.

**"Auction Settlement Notice"** has the meaning given to that term in Credit Linked Condition 4 (Auction Settlement).

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**"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 thirty (30) calendar days of the institution or presentation thereof or before the Maturity Date, whichever is earlier;
- (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 thirty (30) calendar days thereafter or before the Maturity Date, whichever is earlier; 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 paragraphs (a) to (g) (inclusive).

**"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 fourteen (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 Technical Annex only, a day which is a day on which commercial banks and foreign exchange markets are generally open to settle payments (including dealing in foreign exchange and foreign currency deposits) in the jurisdiction of the Credit Linked Specified Currency specified in the applicable Final Terms, and

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in respect of the Delivery of any Deliverable Obligations, shall include any day in any jurisdiction on which banks must be open in order to effect settlement of such Delivery.

**"Business Day Convention"** means the convention for adjusting any relevant date if it would otherwise fall on a day that is not a Business Day. The following terms, when used in conjunction with the term "Business Day Convention" and a date, shall mean that an adjustments will be made if that date would otherwise fall on a day that is not a Business Day so that:

- (a) if "Following" is specified as the applicable Business Day Convention in the applicable Final Terms, that date will be the first following day that is a Business Day;
- (b) if "Modified Following" is specified as the applicable Business Day Convention in the applicable Final Terms, that date will be the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day; and
- (c) if "Preceding" is specified as the applicable Business Day Convention in the applicable Final Terms, that date will be the first preceding day that is a Business Day.

**"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 Agent Physical Settlement Notice"** has the meaning given to that term in the definition of Conditions to Settlement.

**"Cash Settlement Notice"** has the meaning given to that term in Credit Linked Condition 2 (Cash Settlement).

**"Clearance System"** has the meaning given in the N&C Security Conditions.

**"Conditionally Transferable Obligation"** means a Deliverable Obligation or Valuation 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 or Valuation Obligation, as the case may be, other than Bonds, provided, however, that a Deliverable Obligation or Valuation Obligation, as the case may be, 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 or Valuation Obligations, as the case may be, other than Bonds (or the consent of the relevant obligor if a Reference Entity is guaranteeing such Deliverable Obligation or Valuation Obligations, as the case may be) or any agent is required for such novation, assignment or transfer so long as the terms of such Deliverable Obligation or Valuation Obligations, as the case may be, provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation or Valuation Obligation, as the case may be, be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation or Valuation Obligation, as the case may be, 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 or a Valuation Obligation, as the case may be, satisfies the requirements of the definition of "Conditionally Transferable Obligation", such determination shall be made as of the Delivery Date for the Deliverable Obligation or the date of selection of the relevant Valuation Obligation, as the case may be, taking into account only the terms of the Deliverable Obligation or the Valuation Obligation, as the case may be, and any related transfer or consent documents which have been obtained by the Issuer or the Guarantor, as the case may be.

**"Conditions to Settlement"** means the requirements set out in each of (a), (b) and (c), as applicable, below:

- (a) all of the Conditions to Settlement shall be deemed to be satisfied by the occurrence of a Credit Event Determination Date except where such Credit Event Determination Date is subsequently reversed prior to any of (i) the relevant Auction Final Price Determination Date, (ii) a relevant Valuation Date, (iii) the relevant Physical Settlement Date (or, if earlier, a Delivery Date), (iv) the relevant Credit Event Redemption Date or (v) the Maturity Date, as applicable, unless Physical Delivery is specified as the applicable Settlement Method in the applicable Final Terms (or is applicable pursuant to the Fallback Settlement Method) in which case all of the

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Conditions to Settlement shall be deemed to be satisfied by delivery of a Calculation Agent Physical Settlement Notice as described in (c) below on or following the occurrence of a Credit Event Determination Date;

- (b) if Notice of Publicly Available Information is specified as applicable in the applicable Final Terms, the Notice of Publicly Available Information Condition to Settlement is satisfied if either (i) the Calculation Agent delivers to the Issuer a Notice of Publicly Available Information during one of the periods specified in paragraph (a) of the definition of Credit Event Determination Date or (ii) ISDA publicly announces on or prior to the last day of the Notice Delivery Period (including prior to the Trade Date) that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Credit Event for purposes of the relevant N&C Securities has occurred with respect to the relevant Reference Entity or Obligation thereof; and
- (c) where Physical Delivery is specified as the applicable Settlement Method in the applicable Final Terms (or is applicable pursuant to the Fallback Settlement Method), the Calculation Agent delivers to the Issuer a notice of physical settlement (a "**Calculation Agent Physical Settlement Notice**"), subject where applicable to Credit Linked Condition 12 (Settlement Suspension), on or prior to:
  - (i) the later of:
    - (A) the thirty-second (32) calendar day (subject to adjustment in accordance with the applicable Business Day Convention) after the Credit Event Determination Date; and
    - (B) the twelfth (12th) calendar day after either (I) the date of the relevant DC Credit Event Announcement, if any, or (II) the date on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date; or
  - (ii) if "Physical Delivery" is applicable pursuant to the Fallback Settlement Method in accordance with Credit Linked Condition 4(B) (Auction Settlement) and:
    - (A) the relevant Credit Event is not a Restructuring (or, if such Credit Event is a Restructuring, such Restructuring has occurred where neither "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" nor "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applicable in the applicable Final Terms), the thirty-second (32nd) calendar day after the Auction Cancellation Date or the No Auction Announcement Date, as applicable; or
    - (B) the relevant 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 as applicable in the applicable Final Terms, either:
      - (1) the thirty-second (32nd) calendar day after:
        - (i) a No Auction Announcement Date occurring pursuant to paragraph (a) of the definition of No Auction Announcement Date, if any; or
        - (ii) a No Auction Announcement Date occurring pursuant to paragraph (c) of the definition of No Auction Announcement Date, if any, in circumstances where no Parallel Auction will be held; or
        - (iii) the Auction Cancellation Date, if any; or
      - (2) the second (2) Relevant City Business Day immediately following the later of the Parallel Auction Final Price Determination Date, if any (or, if more than one



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should occur, the last Parallel Auction Final Price Determination Date), and the Parallel Auction Cancellation Date, if any (or, if more than one should occur, the last Parallel Auction Cancellation Date), as applicable, in circumstances where either:

- (i) a No Auction Announcement Date occurs pursuant to paragraph (b) of the definition of No Auction Announcement Date and the Issuer has not exercised the Movement Option; or
- (ii) a No Auction Announcement Date occurs pursuant to paragraph (c) of the definition of No Auction Announcement Date in circumstances where one or more Parallel Auctions will be held,

provided that in the case of paragraphs (c)(i)(B) and (c)(ii), the relevant Credit Event Resolution Request Date occurred on or prior to the date described in paragraph (c)(i)(A).

For purposes of determining whether the conditions of this paragraph (c) have been satisfied, the date of delivery of the Calculation Agent Physical Settlement Notice (whether or not subsequently changed) shall be used.

**"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 any Credit Derivatives Auction Settlement Terms published by ISDA, in accordance with the Rules, a form of which will be published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and may be amended from time to time in accordance with the Rules.

**"Credit Derivatives Determinations Committees"** means the committees established by ISDA for purposes of reaching certain DC Resolutions in connection with credit derivative transactions (each a **"Credit Derivatives Determinations Committee"**), as more fully described in the Credit Derivatives Determinations Committees Rules, as published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms thereof (the **"Rules"**).

**"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.

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**"Credit Event Backstop Date"** means:

- (a) for purposes of any event that constitutes a Credit Event (or with respect to Repudiation/Moratorium, the event described in paragraph (b) of the definition of Repudiation/Moratorium), as determined by DC Resolution, the date that is sixty (60) calendar days prior to the Credit Event Resolution Request Date; or
- (b) otherwise, the date that is sixty (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 applicable in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer 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 paragraph (a) and (b) of the definition of Credit Event Resolution Request Date are satisfied in accordance with the Rules;
    - (B) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters; and
    - (C) the Credit Event Notice and, if Notice of Publicly Available Information is specified as applicable in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer not more than fourteen (14) 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.

The Credit Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

**"Credit Event Determination Date"** means, in respect of any Credit Event:

- (a) subject to paragraph (b) below, if neither a DC Credit Event Announcement nor a DC No Credit Event Announcement has occurred, the first date on which both the Credit Event Notice and, if Notice of Publicly Available Information is specified as applicable in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer during either:
  - (i) the Notice Delivery Period; or
  - (ii) 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 paragraphs (a) and (b) of the definition of Credit Event Resolution Request Date (II) to, and including, the date that is fourteen (14) calendar days thereafter (provided that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)); or
- (b) notwithstanding paragraph (a) above, if a DC Credit Event Announcement has occurred, either:
  - (i) the Credit Event Resolution Request Date, if
    - (A) either:
      - (1) Auction Settlement is specified as the applicable Settlement Method in the applicable Final Terms; or

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- (2) the relevant Credit Event is a Restructuring; and
- (B) the Credit Event Notice is delivered by the Calculation Agent to the Issuer on or prior to the date falling two (2) Business Days after the Exercise Cut-off Date; or
- (ii) the first date on which the Credit Event Notice is delivered by the Calculation Agent to the Issuer during (I) the Notice Delivery Period or (II) the period from, and including, the date on which ISDA publicly announces the occurrence of the relevant DC Credit Event Announcement to, and including, the date that is fourteen (14) calendar days thereafter (provided that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)), if either:
  - (A) Auction Settlement is not specified as the applicable Settlement Method in the applicable Final Terms; or
  - (B) Auction Settlement is specified as the applicable Settlement Method in the applicable Final Terms and the Credit Event Notice is delivered by the Calculation Agent to the Issuer on a date that is later than the date falling two (2) Business Days after the relevant Exercise Cut-off Date,

provided that, in the case of paragraph (b) above, (1) this shall be subject to any adjustment in accordance with Credit Linked Condition 15 (Credit Event Notice after Restructuring Credit Event) and (2) no Credit Event Notice specifying a Restructuring as the only Credit Event has previously been delivered by the Calculation Agent to the Issuer 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; and

provided further that no Credit Event Determination Date will occur, and any Credit Event Determination Date previously determined with respect to an event shall be deemed not to have occurred, if, or to the extent that, prior to the Auction Final Price Determination Date, a Valuation Date, a Physical Settlement Date, a Credit Event Redemption Date or the Maturity Date, as applicable, a DC No Credit Event Announcement Date occurs with respect to the relevant Reference Entity or Obligation thereof.

If, in accordance with the provisions above, (i) following the determination of a Credit Event Determination Date, such Credit Event Determination Date is deemed (A) to have occurred on a date that is different from the date that was originally determined to be the Credit Event Determination Date or (B) not to have occurred or (ii) a Credit Event Determination Date is deemed to have occurred prior to one or more preceding Interest Payment Dates, the Calculation Agent will determine (1) such adjustment(s) to these Credit Linked Conditions (including any adjustment to payment amounts) as may be required to achieve as far as practicable the same economic position of N&C Securityholders as would have prevailed had a Credit Event Determination Date occurred on such deemed date of occurrence and (2) the effective date of such adjustment(s).

**"Credit Event Notice"** means a notice from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Credit Event that occurred at or after the Credit Event Backstop Date (determined by reference to the Relevant Time) and on or prior to the Extension Date (determined by reference to the Relevant 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 delivered. A Credit Event Notice shall be subject to the requirements regarding notices set out in N&C Security Condition 14 (Notices).

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"**Credit Event Portion**" means, in the case of any Credit Event and in respect of each nominal amount of the N&C Securities equal to the Calculation Amount, an amount equal to:

- (a) in the case of a Portfolio Credit Linked N&C Security or a Portfolio Maturity Settled Credit Linked N&C Security,
  - (i) the Reference Amount of the Reference Entity in respect of which the Credit Event Notice has been given, expressed as a proportion of the aggregate of the Reference Amounts of all the Reference Entities specified in the Final Terms;  
  
multiplied by
  - (ii) the Calculation Amount; or
- (b) in all other cases, 100 per cent. (100%) of the Calculation Amount.

"**Credit Event Redemption Amount**" means, in respect of a Credit Event, 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:

$$(A \times B) - C$$

where:

"A" is the Credit Event Portion in relation to such Credit Event;

"B" is the Final Price or the Auction Final Price, as applicable, in relation to the relevant Reference Obligation or (if specified as applicable in relation to the relevant Reference Entity in the applicable Final Terms) the relevant Valuation Obligation; and

"C" is Unwind Costs in relation to such Credit Event, (unless the applicable Final Terms specify that Unwind Costs are not applicable),

provided that in no event shall the Credit Event Redemption Amount be less than zero.

"**Credit Event Redemption Date**" means, subject to Credit Linked Condition 12 (Settlement Suspension), 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, five (5) Business Days) after (i) the calculation of the Final Price or (ii) the Auction Settlement Date, as applicable.

"**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:

- (a) whether an event that constitutes a Credit Event has occurred with respect to the relevant Reference Entity or Obligation thereof; and
- (b) 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 paragraphs (a) and (b) above.

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**"Currency Amount"** means, with respect to (a) a Deliverable Obligation specified in a Notice of Physical Settlement that is denominated in a currency other than the Settlement Currency, an amount converted to the Settlement Currency using a conversion rate determined by reference to the Currency Rate and (b) a Replacement Deliverable Obligation specified in a Physical Settlement Amendment Notice, an amount converted to the Settlement Currency (or, if applicable, back into the Settlement Currency) using a conversion rate determined by reference to the Currency Rate, if any, and each Revised Currency Rate used to convert each Replaced Deliverable Obligation Outstanding Amount specified in each Physical Settlement Amendment Notice with respect to that portion of the relevant N&C Securities into the currency of denomination of the relevant Replacement Deliverable Obligation.

**"Currency Rate"** means, with respect to (a) a Deliverable Obligation specified in the Notice of Physical Settlement, the rate of conversion between the Settlement Currency and the currency in which the Outstanding Principal Balance or Due and Payable Amount of such Deliverable Obligation is denominated that is either (i) determined by reference to the Currency Rate Source as at the Next Currency Fixing Time or (ii) if such rate is not available at such time, determined by the Calculation Agent and (b) a Replacement Deliverable Obligation specified in a Physical Settlement Amendment Notice, the Revised Currency Rate.

**"Currency Rate Source"** means the mid-point rate of conversion published by WM/Reuters at 4:00 p.m. (London time), or any successor rate source approved by the relevant Credit Derivatives Determinations Committee.

**"Cut-off Date"** is the date as specified in the applicable Final Terms.

**"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 has occurred with respect to such Reference Entity (or an Obligation thereof) and (b) such event occurred on or after the Credit Event Backstop Date (determined by reference to the Relevant Time) and on or prior to the Extension Date (determined by reference to the Relevant Time). A DC Credit Event Announcement will be deemed not to have occurred unless (i) the Credit Event Resolution Request Date with respect to such Credit Event 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 twenty-one (21) calendar days following the No Auction Announcement Date, if any, as applicable.

**"DC Cut-off Date"** has the meaning given to that term in Credit Linked Condition 8 (Credit Derivatives Determinations Committee Extension).

**"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 with respect to such Reference Entity (or an Obligation thereof).

**"DC Resolution"** has the meaning set out in the Rules.

**"Default Requirement"** means the amount specified as such in the applicable Final Terms or its equivalent as calculated by the Calculation Agent 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 Securityholder 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) 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 Securityholder and to the extent that the Deliverable Obligations consist of Qualifying Guarantees, "Deliver"

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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 Credit Linked Condition 3 (Physical Settlement):

- (a) any obligation of such Reference Entity (either directly, 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 sub-paragraph (d) "(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 Delivery Date, 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 sub-paragraph (d) (A)(2)(i) "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, 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 Delivery Date, 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 date of the event which constitutes the Credit Event which is the subject of either the Credit Event Notice or 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:

- (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).

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(2) "**Deliverable Obligation Characteristics**" means any one or more of Not Subordinated, Credit Linked 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 (x) to convert or exchange such obligation or (y) 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 (x) and (y) of sub-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 of 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 Securityholder that provides each Securityholder 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 Securityholder and either (A) the Issuer or the Guarantor, as the case may be, (in either case, to the extent that the Issuer or the Guarantor, as applicable, 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:

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- (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



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- (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: Credit Linked 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 Qualifying Guarantee must satisfy on the relevant date the Obligation Characteristic or the Deliverable Obligation Characteristic of Not Subordinated, if specified in the applicable Final Terms.
  - (iv) 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.
  - (v) 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.
  - (vi) The terms "Outstanding Principal Balance" and "Due and Payable Amount" (as they are used in these Credit Linked Conditions, including without limitation, the definitions of "Partial Cash Settlement Amount" and "Quotation Amount" in Credit Linked Condition 11 (Partial Cash Settlement), 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.

**"Deliverable Obligation Terms"** has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms.

**"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

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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, at the date of the event giving rise to the Credit Event which is the subject of the Credit Event Notice, the Delivery Date (in the case of a Deliverable Obligation), the date of selection of the relevant Valuation Obligation (in the case of a Valuation Obligation) or the time of identification of a Substitute Reference Obligation (as applicable), whose outstanding Voting Shares are more than 50 per cent., owned, directly or indirectly, by the Reference Entity. As used herein, **"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.

**"Due and Payable Amount"** means subject as provided in sub-paragraph (4)(vi) of paragraph (B) (*Interpretation of Provisions*) in the definition of Deliverable Obligation (or Valuation Obligation if "Valuation Obligation" is specified as applicable in the relevant Final Terms), the amount that is due and payable under (and in accordance with the terms of) a Deliverable Obligation on the Delivery Date or a Valuation Obligation on the date of selection of the relevant Valuation Obligation, as the case may be, whether by reason of acceleration, maturity, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts).

**"Effective Date"** has the meaning given in the applicable Final Terms.

**"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, that, in each case, 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 sub-paragraphs (a), (b), (c)(ii) or (d); or
- (d) a Sovereign, Sovereign Agency or Supranational Organisation.

All references in this definition to U.S.\$ include equivalent amounts in other currencies.

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**"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.

**"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.

**"Excluded Valuation Obligation"** means any obligation of a Reference Entity specified as such or of a type described in the applicable Final Terms.

**"Exercise Cut-off Date"** means, with respect to a Credit Event:

- (a) if such Credit Event is not a Restructuring (or if such Credit Event is a Restructuring, such Restructuring has occurred and neither "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" nor "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applicable in the applicable Final Terms), either:
  - (i) the Relevant City Business Day prior to the Auction Final Price Determination Date, if any;
  - (ii) the Relevant City Business Day prior to the Auction Cancellation Date, if any; or
  - (iii) the date that is twenty-one (21) calendar days following the No Auction Announcement Date, if any,as applicable; or
- (b) 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 as applicable in the applicable Final Terms and:
  - (i) 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 five (5) 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; or

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- (ii) a No Auction Announcement Date occurs pursuant to paragraph (a) of the definition of No Auction Announcement Date, the date that is twenty-one (21) calendar days following such No Auction Announcement Date.

**"Extension Date"** means the latest of:

- (a) the Scheduled Maturity Date;
- (b) the Grace Period Extension Date if:
  - (i) "Grace Period Extension" is specified as applying in the applicable Final Terms;
  - (ii) 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, as applicable, is a Failure to Pay that occurs after the Scheduled Maturity Date (determined by reference to the Relevant Time); and
  - (iii) 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 the Relevant Time); and
- (c) the Repudiation/Moratorium Evaluation Date if:
  - (i) "Repudiation Moratorium" is specified as a Credit Event in the applicable Final Terms;
  - (ii) 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, as applicable, is a Repudiation/Moratorium for which the event described in paragraph (b) of the definition of Repudiation/Moratorium occurs after the Scheduled Maturity Date (determined by reference to the Relevant Time);
  - (iii) the Potential Repudiation/Moratorium with respect to such Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date (determined by reference to the Relevant Time); and
  - (iv) 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 any N&C Securities for which Auction Settlement is specified as the applicable Settlement Method in the applicable Final Terms, the fallback settlement method specified in the applicable Final Terms.

**"Final Delivery Date"** has the meaning given to that term in Credit Linked Condition 10 (Physical Delivery)

**"Final List"** has the meaning set out in the Rules.

**"Final Price"** means the price of a Reference Obligation or Valuation Obligation, expressed as a percentage, determined in accordance with the Valuation Method specified in the applicable Final Terms or, where applicable, Credit Linked Condition 15 (Credit Event Notice after Restructuring Credit Event). The Calculation Agent shall as soon as practicable after obtaining all Quotations for a Valuation Date, make available for inspection by Securityholders at the specified office of the Agent and, for so long as the N&C Securities are listed on the London Stock Exchange at the office of the Paying Agent in London (i) each such Quotation that it receives in connection with the calculation of the Final Price and (ii) a written computation showing its calculation of the Final Price.

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**"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 or the relevant Valuation Obligation with an Outstanding Principal Balance equal to the Quotation Amount.

**"Fully Transferable Obligation"** means a Deliverable Obligation or a Valuation 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 or a Valuation Obligation, as the case may be, other than Bonds. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation or a Valuation Obligation, as the case may be, be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation or a Valuation Obligation, as the case may be, shall not be considered to be a requirement for consent for purposes of this definition of "Fully Transferable Obligation". For purposes of determining whether a Deliverable Obligation or a Valuation Obligation, as the case may be, 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 or the date of selection of the relevant Valuation Obligation, as the case may be, taking into account only the terms of the Deliverable Obligation or the Valuation Obligation, as the case may be, and any related transfer or consent documents which have been obtained by the Issuer or the Guarantor, as the case may be.

**"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:

- (a) subject to paragraphs (b) and (c) 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;
- (b) 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 the Relevant Time) and the applicable grace period cannot, by its terms, expire on or prior to the Scheduled Maturity Date (determined by reference to the Relevant 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, thirty (30) calendar days; and
- (c) if, as of the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three Grace Period Business Days shall be deemed to apply to such Obligation; provided that, unless Grace Period Extension is specified as 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 the Relevant Time),

the date that is five (5) Business Days following the day falling the number of days in the Grace Period after the date of such Potential Failure to Pay.

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**"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 N&C Securities.

**"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.

**"Hypothetical Investor"** means, with respect to any Obligation or Reference Obligation, a hypothetical investor in such Obligation or Reference Obligation in the Hypothetical Investor Jurisdiction and who is deemed to have the benefits and obligations, as provided under the terms and conditions of the Obligation or Reference Obligation, of an investor holding, as of the Trade Date (or, if later, its date of issue), an interest in the Obligation or Reference Obligation.

**"Hypothetical Investor Jurisdiction"** means, at any relevant time, the jurisdiction of organisation or formation, as applicable, of the Issuer or any of its Affiliates or any other party providing the Issuer directly or indirectly with hedging arrangements in relation to the N&C Securities as the Issuer may select at such time.

**"Intervening Period"** means such period of time as any person other than the relevant N&C Securityholder shall continue to be registered as the legal owner of any securities or other obligations comprising an Asset Amount.

**"ISDA"** means the International Swaps and Derivatives Association, Inc.

**"Japanese Default Requirement"** means, if the Specified Currency is Japanese Yen, JPY1,000,000,000, or in all other cases, U.S.\$10,000,000 or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event.

**"Japanese Payment Requirement"** means, if the Specified Currency of the N&C Securities is Japanese Yen, JPY100,000,000, or in all other cases, U.S.\$1,000,000 or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency as of the occurrence of the Failure to Pay or Potential Failure to Pay, as applicable.

**"Japanese Reference Entity"** means a Reference Entity for which the jurisdiction of incorporation or organisation is Japan.

**"Latest Maturity Restructuring Bond or Loan"** has the meaning given to that term in the definition of "Restructuring Maturity Limitation Date".

**"Limitation Date"** means the first of 20th March, 20th June, 20th September or 20th 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 it is specified in the applicable Final Terms that Limitation Dates will be adjusted in accordance with a specified Business Day Convention.

**"London Business Day"** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

**"Market Value"** means, with respect to a Reference Obligation or Valuation 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);

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- (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 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 (10th) 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 (10th) 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, Hedge Disruption Obligation or Valuation Obligation, as the case may be, obtained from Quotation Dealers at the Valuation Time on such tenth (10th) 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.

**"Merger Event"** means that at any time during the period from (and including) the Trade Date to (but excluding) the Maturity Date (1) the Issuer, the Guarantor, any Affiliate of the Issuer or the Guarantor or a Reference Entity (any such entity, the **"Mergor"**) consolidates or amalgamates with, or merges into, or transfers all or substantially all of its assets to (a) where the Mergor is the Issuer or the Guarantor or any Affiliate of the Issuer or the Guarantor, a Reference Entity or (b) where the Mergor is a Reference Entity, the Issuer or the Guarantor or any Affiliate of the Issuer or the Guarantor, or, (2) (I) the Guarantor and a Reference Entity or (II) the Issuer and a Reference Entity or (III) any Affiliate of the Issuer or the Guarantor and a Reference Entity, become Affiliates.

**"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, as the case may be, 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. Where "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified as applicable 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, where 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 where a No Auction Announcement Date has occurred pursuant to paragraph (b) of the definition of No Auction Announcement Date, the option of the Issuer to apply to the N&C Securities, for purposes of settlement, the Parallel Auction Settlement Terms, if any, for purposes of which the Permissible

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Deliverable Obligations are more limited than the Deliverable Obligations that could be specified in any Calculation Agent Physical Settlement Notice (provided that if more than one such set of Parallel Auction Settlement Terms are published, the Parallel Auction Settlement Terms specifying the greatest number of such Permissible Deliverable Obligations shall apply). If no Notice to Exercise Movement Option is delivered by the Issuer on or prior to the Movement Option Cut-off Date, the N&C Securities will be settled in accordance with the Fallback Settlement Method. If a Notice to Exercise Movement Option is delivered by the Issuer on or prior to the Movement Option Cut-off Date, such event will be notified to Securityholders in accordance with N&C Security Condition 14 (Notices).

**"Movement Option Cut-off Date"** means the date that is six (6) Relevant City Business Days following the Exercise Cut-off Date.

**"Multiple Valuation Date"** shall have the meaning specified in the definition of "Valuation Date" below.

**"Next Currency Fixing Time"** means 4:00 p.m. (London time) on such London Business Day as the Calculation Agent shall select falling no more than five (5) London Business Days immediately preceding the date on which the Notice of Physical Settlement or relevant Physical Settlement Amendment Notice or relevant Partial Cash Settlement Notice, as applicable, is delivered.

**"No Auction Announcement Date"** means, with respect to a Credit Event, the date on which ISDA first publicly announces that (a) no Transaction Auction Settlement Terms and, if applicable, no Parallel Auction Settlement Terms will be published, (b) following the occurrence of a Restructuring where 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 only, no Transaction Auction Settlement Terms will be published, but Parallel Auction Settlement Terms will be published or (c) the relevant Credit Derivatives Determinations Committee has Resolved that no Auction will be held following a prior public announcement by ISDA to the contrary.

**"Notice Delivery Period"** means the period from and including the Trade Date to and including the date that is fourteen (14) calendar days after the Extension Date.

**"Notice of Physical Settlement"** has the meaning given to that term in Credit Linked Condition 3 (Physical Settlement).

**"Notice of Publicly Available Information"** means a notice from the Calculation Agent 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 paragraphs (a) and (b) 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 Credit Linked Condition 21 (Calculation Agent and Calculation Agent Notices).

**"Notice to Exercise Movement Option"** means, where (a) 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 (b) the Fallback Settlement Method would otherwise be applicable pursuant to the Auction Settlement provisions, a notice from the Calculation Agent to the Issuer that (i) specifies the Parallel Auction Settlement Terms applicable in accordance with the definition of Movement Option and (ii) is delivered on or prior to the Movement Option Cut-off Date.

**"Obligation"** means:

- (a) any obligation of a Reference Entity (either directly, 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)



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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 the subject of either the Credit Event Notice or 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, Credit Linked 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 (1) the most senior Reference Obligation in priority of payment or (2), 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 paragraph (a) of the definition of Substitute Reference Obligation has occurred with respect to all of the Reference Obligations or if the final paragraph of the definition of Successor is applicable with respect to 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 or Valuation Obligation Characteristic, as applicable, "Not Subordinated" shall mean an

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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 or Valuation 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) "**Credit Linked Specified Currency**" means an obligation that is payable in the currency or currencies specified as such in the applicable Final Terms (or, if Credit Linked 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.

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**"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.

**"Outstanding Principal Balance"** means, subject as provided in sub-paragraph (4)(vi) of paragraph (B) (Interpretation of Provisions) in the definition of Deliverable Obligation or Valuation Obligation, as the case may be:

- (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,

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.

**"Outstanding Redemption Amount"** means in respect of a N&C Security or nominal amount equal to the Calculation Amount, on any day, the greater of (a) the Final Redemption Amount specified in the applicable Final Terms for such N&C Security less the aggregate of all Credit Event Portions determined pursuant to Credit Linked Condition 2 (Cash Settlement), Credit Linked Condition 3 (Physical Settlement) or Credit Linked Condition 4 (Auction Settlement) (as applicable) determined up to and including such day and (b) zero.

**"Parallel Auction"** means "Auction" as such term shall be defined in the relevant Parallel Auction Settlement Terms.

**"Parallel Auction Cancellation Date"** means "Auction Cancellation Date" as such term shall be defined in the relevant Parallel Auction Settlement Terms.

**"Parallel Auction Final Price Determination Date"** means "Auction Final Price Determination Date" as such term shall be defined in the relevant Parallel Auction Settlement Terms.

**"Parallel Auction Settlement Date"** means "Auction Settlement Date" as such term shall be defined in the relevant Parallel Auction Settlement Terms.

**"Parallel Auction Settlement Terms"** means, following the occurrence of a Restructuring where 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, any Credit Derivatives Auction Settlement Terms published by ISDA with respect to such Restructuring in accordance with the Rules, and for which (i) the Deliverable Obligation Terms are the same as the Reference Transaction and (ii) the Reference Transaction would not be an Auction Covered Transaction.

**"Pass-Through Event"** means in respect of any Reference Entity:

- (a) any event that (i) results in the Issuer or any of its agents or Affiliates receiving less than the full value of any principal, interest or other amounts due on any Obligation or Reference Obligation in respect of that Reference Entity on the date such amounts are due; or (ii) affects in any way the cost to or ability of the Issuer or its agents or Affiliates of acquiring, holding, realising or redeeming the Reference Obligations, or of hedging, directly or indirectly, the obligations of the Issuer in respect of the N&C Securities, or of converting any Obligation

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Currency amount into the Specified Currency or Settlement Currency, as the case may be, (or any other freely convertible and transferable currency) or vice versa;

- (b) any custodian used by the Issuer or any of its agents or Affiliates for the purposes of hedging exposure to the relevant Reference Entity in respect of the N&C Securities: (i) is dissolved, becomes insolvent or is unable to pay its debts as they become due, makes a general assignment, arrangement or composition with or for the benefit of its creditors, institutes or has instituted against it a proceeding seeking a judgement of insolvency or bankruptcy or any other relief under any law, has a secured party take possession of all or substantially all its assets, or takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts or any analogous event or circumstance exists or occurs; or (ii) fails to do one or more of the following:
  - (A) deliver or credit any Obligation Currency, or Obligations owned by the Issuer or any of its agents or Affiliates, to the account of the Issuer (or of any of its agents or Affiliates) as instructed by the Issuer (or any of its agents or Affiliates);
  - (B) deliver any Obligation Currency to a third party when requested to do so by the Issuer (or any of its agents or Affiliates);
  - (C) surrender any Obligations owned by the Issuer (or any of its agents or Affiliates) when requested to do so by the Issuer (or any of its agents or Affiliates);
  - (D) purchase or sell any Obligations or take any other action when instructed to do so by the Issuer (or any of its agents or Affiliates); or
  - (E) perform in a full and timely manner all of its obligations to the Issuer (or any of its agents or Affiliates) under any custodian or similar arrangements entered into by the Issuer (or any of its agents or Affiliates) at any time in relation to Obligations and/or an Obligation Currency (which shall include, for the avoidance of doubt, a repudiation or termination of any such arrangements without the prior consent of the Issuer (or any of its agents or Affiliates)); or
- (c) (i) (A) the enactment, promulgation, execution, ratification or adoption of, or any change in or amendment to, any rule, law, regulation or statute (or in the applicability or official interpretation of any rule, law, regulation or statute) by or in relation to the Reference Entity or by any governmental authority, (B) the issuance of any order or decree by any governmental authority, (C) any action being taken by a taxing authority in the jurisdiction of the Reference Entity, or (D) the occurrence of any other act or event at any time relating to withholding or deduction for or on account of tax in relation to any Obligations, which (in the case of (A), (B), (C) or (D) above) will adversely affect the economic value of any Obligation or Reference Obligation to the Hypothetical Investor; (ii) the imposition of taxes on the transfer of any relevant currency out of the jurisdiction of the Reference Entity, (iii) the imposition of any additional taxes on debt of the Reference Entity issued in the jurisdiction of the Reference Entity, or (iv) the imposition of any taxes on any conversion of an Obligation Currency into the Specified Currency or the Settlement Currency (as the case may be).

**"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, USD1,000,000, 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.

**"Permissible Deliverable Obligations"** has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms, being either all or the portion of the Deliverable Obligations included in the Final List pursuant to the Deliverable Obligation Terms applicable to the relevant Auction.

**"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 Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or

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any successor to the rating business thereof, Aaa or higher assigned to it by Moody's Investors Service, Inc. or any successor to the rating business thereof or AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof.

**"Physical Settlement Amendment Notice"** has the meaning given to that term in Credit Linked Condition 3 (Physical Settlement).

**"Physical Settlement Date"** means, subject to the provisions of Credit Linked Condition 10 (Physical Delivery) in relation to any Deliverable Obligation, the last day of the longest Physical Settlement Period following the satisfaction of Conditions to Settlement (the **"Scheduled Physical Settlement Date"**) *provided that*:

- (a) if a Hedge Disruption Event has occurred and is continuing on the second (2nd) 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 65 Business Days following the Scheduled Physical Settlement Date; or
- (b) if such day is not a Relevant Clearance Business Day, it shall be postponed to the immediately following Relevant Clearance Business Day.

**"Physical Settlement Period"** means, subject to Credit Linked Condition 12 (Settlement Suspension), 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 an 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.

**"Portfolio Credit Linked N&C Security"** means each Credit Linked N&C Security indicated as such in the applicable Final Terms, where the Issuer purchases credit protection from the Securityholders in respect of two or more Reference Entities on a *pro rata* basis. Satisfaction of the Conditions to Settlement with respect to any of the Reference Entities will, unless otherwise specified in the Final Terms, result in a proportional redemption of the N&C Securities pursuant to these Credit Linked Conditions, by cash, physical or auction settlement, as specified in the applicable Final Terms.

**"Portfolio Maturity Settled Credit Linked N&C Security"** means each Credit Linked N&C Security indicated as such in the applicable Final Terms and in respect of which Cash Settlement or Auction Settlement is specified as applicable in the Final Terms, where the Issuer purchases credit protection from the Securityholders in respect of two or more Reference Entities on a *pro rata* basis. Satisfaction of the Conditions to Settlement with respect to any of the Reference Entities will, unless otherwise specified in the applicable Final Terms, result in a reduction of the Outstanding Redemption Amount of the N&C Securities on the date the related Final Price is calculated, provided that redemption of the N&C Securities by cash settlement or auction settlement pursuant to these Credit Linked Conditions shall not occur until the Maturity Date.

**"Potential Credit Event"** means a Potential Failure to Pay (if Failure to Pay is an applicable Credit Event in respect of the Reference Entity), a Potential Repudiation/Moratorium (if Repudiation/Moratorium is an applicable Credit Event in respect of the Reference Entity) or if a Credit Event Resolution Request Date has occurred and the relevant Credit Derivatives Determinations Committee has not made its determination, such event will be deemed to be a Potential Credit Event. A Credit Derivatives Determinations Committee and the Calculation Agent may each determine whether a Potential Failure to Pay or a Potential Repudiation/Moratorium has occurred.

**"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 (a) of the definition of Repudiation/Moratorium.

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**"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 on not less than the Specified Number of Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information provided that, if either the Calculation Agent or the Issuer, the Guarantor 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, the Guarantor 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 Calculation Agent 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 party receiving such information.
- (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

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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"**) and that is not at the time of the Credit Event Subordinated to any unsubordinated Borrowed Money obligation of the Underlying Obligor (with references in the definition of Subordination to the Reference Entity deemed to refer to 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, assigned or otherwise altered 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, in respect of any Reference Obligation or Valuation Obligation, 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 or Valuation 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 the then current market practice in the market of the Reference Obligation or Valuation 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

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applicable Final Terms, the Aggregate Nominal Amount (or, in either case, its equivalent in the relevant Obligation Currency converted by the Calculation Agent 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. 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.

**"Received Reference Obligations Interest Amount"** means any aggregate interest amount received on a Reference Obligation Interest Payment Date by the Hypothetical Investor in respect of a holding of Reference Obligations of an aggregate principal or nominal amount (if necessary rounded down to the nearest whole unit) equal to the Calculation Amount (or the Reference Obligation currency amount equivalent thereof), all as determined by the Calculation Agent.

**"Reference Obligation Interest Payment Date"** means any day on which the Hypothetical Investor receives payment on account of interest in respect of the Reference Obligations.

**"Reference Amount"** means the amount and the currency in which the Issuer has purchased credit protection from the Securityholders in respect of each Reference Entity, as specified in the applicable Final Terms.

**"Reference Entity"** means the entity or entities specified as such in the applicable Final Terms. Any Successor to a Reference Entity identified pursuant to the definition of **"Successor"** in this Credit Linked Condition 14 on or following the Trade Date (which may include an entity determined to be a Successor in accordance with the Rules) shall, in each case, shall be a Reference Entity for the purposes of the relevant Series.

**"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.

**"Reference Transaction"** means a hypothetical credit derivative transaction:

- (a) for which the Deliverable Obligation Terms and the Reference Obligation are:
  - (i) the same as in respect of the N&C Securities (if such Deliverable Obligation Terms and Reference Obligation are specified in the applicable Final Terms); or
  - (ii) if and to the extent the Deliverable Obligation Terms and/or the Reference Obligation are not specified, the Deliverable Obligation Terms and Reference Obligation or Valuation Obligation determined by the Calculation Agent to be appropriate in respect of a credit derivative transaction linked to the relevant Reference Entity;
- (b) with a scheduled termination date matching the Scheduled Maturity Date of the N&C Securities; and



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- (c) otherwise having such other characteristics as the Calculation Agent may determine appropriate by reference to, without limitation, the Issuer's hedging arrangements and/or any credit derivative elections made in relation to the N&C Securities.

**"Relevant City Business Day"** has the meaning set out in the Rules.

**"Relevant Clearance Business Day"** is a day which is:

- (a) a Business Day; and
- (b) (i) where the Deliverable Obligations are Bonds, a day on which the relevant clearance system for settlement of the Bonds is open for the acceptance and execution of settlement instructions other than a day on which such clearance system is scheduled to close prior to its regular weekday closing time; or
- (ii) where the Deliverable Obligations are Loans, a day on which commercial banks and foreign exchange markets are generally open to settle payments in the jurisdiction of the currency of denomination of the relevant Loan, or if such currency is euro, a day on which the TARGET2 System (as defined in the N&C Security Conditions) is open.

**"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 Time"** means Greenwich Mean Time (or Tokyo time for the purpose of Japanese Reference Entities).

**"Replaced Deliverable Obligation Outstanding Amount"** has the meaning given to that term in Credit Linked Condition 3 (Physical Settlement)

**"Replacement Deliverable Obligation"** has the meaning given to that term in Credit Linked Condition 3 (Physical Settlement).

**"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:

- (a) an authorised officer of a Reference Entity or a Governmental Authority:
- (i) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than the Default Requirement; or
- (ii) declares or imposes a moratorium, standstill, roll-over or deferral, whether *de facto* or *de jure*, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement; and
- (b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

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**"Repudiation/Moratorium Evaluation Date"** means, if a Potential Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date (determined by reference to the Relevant 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 sixty (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 sixty (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"** will be satisfied:

- (i) if 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 (14) calendar days after the Scheduled Maturity Date, that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the relevant Reference Entity and that such event occurred on or prior to the Scheduled Maturity Date or, if Credit Linked Condition 9 (Maturity Date Extension) applies, the Postponed Maturity Date (determined by reference to the Relevant Time); 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 is specified as applicable in the applicable Final Terms, a Notice of Publicly Available Information on or prior to the date that is fourteen (14) calendar days after the Scheduled Maturity Date.

In all cases, the Repudiation/Moratorium Extension Condition will be deemed not to have been satisfied, or 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 (14) 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 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 the Relevant Time).

**"Repudiation/Moratorium Extension Notice"** means a notice 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 the Relevant 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 delivered.

**"Resolve"** has the meaning set out in the Rules, and "Resolved" and "Resolves" shall be interpreted accordingly.

**"Restructured Bond or Loan"** means an Obligation which is a Bond or Loan and in respect of which the relevant Restructuring 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 such Obligation to bind all the holders of that 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 (a) the Credit Event Backstop Date applicable to the relevant N&C Securities and (b) the date as of which such Obligation is issued or incurred:

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- (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 (i) the payment or accrual of interest or (ii) 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 Credit Linked Condition 16 (Provisions relating to Multiple Holder Obligation), 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 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.

**"Revised Currency Rate"** means, with respect to a Replacement Deliverable Obligation specified in a Physical Settlement Amendment Notice, the rate of conversion between the currency in which the Replaced Deliverable Obligation Outstanding Amount is denominated and the currency in which the Outstanding Principal Balance or Due and Payable Amount of such Replacement Deliverable Obligation is denominated that is determined either (a) by reference to the

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Currency Rate Source as at the Next Currency Fixing Time or (b) if such rate is not available at such time, by the Calculation Agent.

"**Rules**" has the meaning given to that term in the definition of "Credit Derivatives Determinations Committees" above.

"**Scheduled Maturity Date**" has the meaning specified in the applicable Final Terms.

"**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 N&C Securities.

"**Settlement Method**" means, if (a) Auction Settlement is specified as the applicable Settlement Method in the applicable Final Terms, Auction Settlement, (b) Cash Settlement is specified as the applicable Settlement Method in the applicable Final Terms, Cash Settlement, or (c) Physical Delivery is specified as the applicable Settlement Method in the applicable Final Terms, Physical Delivery.

"**Single Valuation Date**" shall have the meaning as specified in the definition of "Valuation Date" below.

"**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 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 sub-paragraph (3) of sub-paragraph (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.

"**Sovereign Restructured Valuation 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 Valuation Obligation Category specified in the applicable Final Terms, and, subject to sub-paragraph (3) of sub-paragraph (B) (Interpretation of Provisions) in the definition of "Valuation Obligation", having each of the Valuation 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 Valuation Obligation Category or Valuation 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.

"**Standard Unwind Costs**" shall have the meaning as specified in the definition of "Unwind Costs" below.

"**Substitute Reference Obligation**" means any of (1) the relevant Substitute Reference Obligation(s) specified in the applicable Final Terms or (2) 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

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- (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 (1) ranks *pari passu* in priority of payment with the ranking in priority of payment of each of the Substitute Reference Obligation 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), (2) preserves the economic equivalent, as closely as practicable as determined by the Calculation Agent of the delivery and payment obligations of the Issuer and (3) 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.
- (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 (x) Cash Settlement is specified as the Settlement Method in the applicable Final Terms (or is applicable pursuant to the Fallback Settlement Method) and the Credit Event Redemption Amount is determined by reference to a Reference Obligation or (y) either Auction Settlement or Physical Delivery is specified as the Settlement Method in the applicable Final Terms (or, in the case of Physical Delivery, is

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applicable pursuant to the Fallback Settlement Method) and, in each case, the Reference Obligation is the only Deliverable Obligation or (z) if Valuation Obligation is specified as applicable in the applicable Final Terms and the Reference Obligation is the only Valuation Obligation and (B) on or prior to the Extension Date, a Substitute Reference Obligation has not been identified, the Issuer shall have the right on or after the Extension Date to early redeem the N&C Securities at the Early Redemption Amount (determined by the Calculation Agent taking into account the creditworthiness of the Reference Entity at the time of early redemption) by notice to Securityholders in accordance with N&C Security Condition 14 (Notices). Such notice shall contain details of the procedures and due date for such early redemption.

- (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, demerger, 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 Succession Event Backstop Date (determined by reference to the Relevant Time) applicable to the relevant Series.

**"Succession Event Backstop Date"** means:

- (a) for purposes of any event that constitutes a Succession Event, as determined by DC Resolution, the date that is ninety (90) calendar days prior to the Succession Event Resolution Request Date (determined by reference to the Relevant Time); or
- (b) otherwise, the date that is ninety (90) calendar days prior to the earlier of:
- (i) the date on which the Succession Event Notice is delivered; and
  - (ii) in circumstances where (I) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in paragraphs (a) and (b) 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 (14) 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.

The Succession Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention unless specified in the applicable Final Terms that the Succession Event Backstop Date will be adjusted in accordance with a specified Business Day Convention.

**"Succession Event Notice"** means a notice from the Calculation Agent to the Issuer that describes a Succession Event that occurred on or after the Succession Event Backstop Date (determined by reference to the Relevant Time).

A Succession Event Notice must contain a description in reasonable detail of the facts relevant to the determination, of (i) whether a Succession Event has occurred and (ii) if relevant, the identity of any Successor(s).

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**"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:

- (a) whether an event that constitutes a Succession Event for purposes of a Series has occurred with respect to the relevant Reference Entity; and
- (b) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, (i) with respect to a Reference Entity that is not a Sovereign, the legally effective date of such event or (ii) 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.

**"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 seventy-five per cent. (75%) or more of the Relevant Obligations of the Reference Entity by way of a Succession Event, that entity will be the sole Successor;
  - (ii) if only one entity directly or indirectly succeeds to more than twenty-five per cent. (25%) (but less than seventy-five per cent.(75%)) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than twenty-five per cent. (25%) of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than twenty-five per cent. (25%) of the Relevant Obligations will be the sole Successor;
  - (iii) if more than one entity each directly or indirectly succeed to more than twenty-five per cent. (25%) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than twenty-five per cent. (25%) of the Relevant Obligations of the Reference Entity remain with Reference Entity, the entities that succeed to more than twenty-five per cent. (25%) of the Relevant Obligations will each be a Successor and these Credit Linked Conditions and/or the applicable Final Terms will be adjusted as provided below;
  - (iv) if one or more entity each directly or indirectly succeed to more than twenty-five per cent. (25%) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and more than twenty-five per cent. (25%) 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 and these Credit Linked 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 twenty-five per cent. (25%) 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 twenty-five per cent. (25%) 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; and

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- (b) in relation to a Reference Entity that is a Sovereign, each entity which becomes a direct or indirect successor to that Reference Entity by way of Succession Event irrespective of whether any such successor assumes any of the obligations of such 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 (14) calendar days after the legally effective date of the occurrence of the relevant Succession Event), and with effect from the legally effective date of the occurrence of the Succession Event, whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable provided that the Calculation Agent will not make any 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 (a) above and paragraphs (a) and (b)(i) of the definition of Succession Event Resolution Request Date (in the case of a Reference Entity that is not a Sovereign) or (b) above and paragraphs (a) and (b)(ii) of the definition of Succession Event Resolution Request Date (in the case of a Sovereign Reference Entity) are satisfied in accordance with the Rules (until such time (if any) that 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. In calculating the percentages used to determine whether the relevant thresholds set forth above have been met, or which entity qualifies under (a)(vi) above, as applicable, the Calculation Agent shall use, in respect of each applicable Relevant Obligation included in such calculation, the amount of the liability in respect of such Relevant Obligation listed in the Best Available Information and shall, as soon as practicable after such calculation, make such calculation available for inspection by Securityholder(s) at the specified office of the Principal Paying Agent.

Where pursuant to paragraph (a)(iii) or (a)(iv) above, more than one Successor has been identified, the Calculation Agent shall adjust such of these Credit Linked Conditions and/or the applicable Final Terms as it shall determine to be appropriate to reflect that the relevant Reference Entity has been succeeded by more than one Successor and shall determine the effective date of that adjustment. The Calculation Agent shall be deemed to be acting in a commercially reasonable manner if it adjusts such of these Credit Linked Conditions and/or the applicable Final Terms in such a manner as to reflect the adjustment to and/or division of any credit derivative transaction(s) related to or underlying the N&C Securities under the provisions of the 2003 ISDA Credit Derivatives Definitions and any relevant publication published by ISDA.

Where First to Default is specified as applicable in the applicable Final Terms, the additional provisions (1) – (3) below will also apply. These provisions are in addition to and without prejudice to the rights of the Issuer under the provisions of Credit Linked Condition 13 (*Redemption Following a Merger Event*) which will apply where Merger Event is specified as applying in the applicable Final Terms. In particular the Issuer may in each case determine in its sole discretion which of such provisions apply in the case of a Merger Event occurring.

(1) *Substitution Not Applicable*: Where any Reference Entity (the "**Surviving Reference Entity**") (other than the Reference Entity that is subject to the Succession Event) would be a Successor to any other Reference Entity (the "**Legacy Reference Entity**") pursuant to a Succession Event through the application of this definition of "Successor" and Substitution is specified as Not Applicable in the applicable Final Terms, such Surviving Reference Entity shall be deemed a Successor to the Legacy Reference Entity.

(2) *Substitution Applicable*: Where any Reference Entity (the "**Surviving Reference Entity**") (other than the Reference Entity that is subject to the Succession Event) would be a Successor to any other Reference Entity (the "**Legacy Reference Entity**") pursuant to a Succession Event through the application of this definition of Successor and Substitution is specified as Applicable in the applicable Final Terms:

- (a) such Surviving Reference Entity shall be deemed not to be a Successor to the Legacy Reference Entity; and
- (b) the Calculation Agent may but is not required to select any Eligible Reference Entity in accordance with "(3) *Selection of an Eligible Reference Entity*" below as a Successor to the Legacy Reference Entity pursuant to that Succession Event.



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(3) *Selection of an Eligible Reference Entity*: "**Eligible Reference Entity**" means an entity:

- (i) that is in the same Moody's, S&P or any Other Rating Agency industry group (the "**Industry Requirement**") as the relevant Surviving Reference Entity, where:

"**Moody's**" means Moody's Investors Service, Inc. or any successor thereto;

"**S&P**" means Standard and Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. or any successor thereto; and

"**Other Rating Agency**" means any rating agency other than S&P or Moody's that publishes industry groups as selected by the Calculation Agent in its sole discretion;

- (ii) that has a bid-side credit spread on any day following the relevant Succession Event no greater than 110% (or such other Credit Spread Requirement if any specified in the applicable Final Terms) of the bid-side credit spread of the relevant Surviving Reference Entity at that same time (the "**Credit Spread Requirement**"), in each case based on a credit default swap:

(a) on market standard terms for the relevant entity as at the time of such determination;

(b) in respect of a floating rate payer calculation amount equal to at least 50 per cent., but not more than 100 per cent., of the aggregate Outstanding Redemption Amounts of the N&C Securities outstanding at the relevant time; and

(c) with a term equal to the period from (and including) the date of the determination to (and including) the Scheduled Maturity Date (the "**Remaining Term**") or, if the Calculation Agent determines it is or may be impractical to obtain quotations in respect of the Remaining Term, the term for the purposes of this sub-clause (c) shall be five years.

The bid-side credit spreads for the purpose of the Credit Spread Requirement shall be the unweighted arithmetic mean of the spread quotations obtained by the Calculation Agent (on the basis of the terms set out above) from at least three Quotation Dealers;

- (iii) that is principally traded in the credit derivatives market in respect of the same Geographical Region as the relevant Surviving Reference Entity, as determined in good faith and a commercially reasonable manner by the Calculation Agent, where:

"**Geographical Region**" means such region determined in good faith by the Calculation Agent to give best effect to then current credit derivatives market practice in respect of the relevant Surviving Reference Entity (and which may but does not have to be one of North America, Latin America, Western Europe, Eastern Europe, Australia/New Zealand, Singapore, Asia (excluding Japan) or Japan); and

- (iv) that is not the Issuer or an Affiliate of any Reference Entity or the Issuer both immediately prior to and following the relevant Succession Event, as applicable.

Upon the Calculation Agent making such adjustment, the Issuer shall give notice as soon as practicable to Securityholders in accordance with N&C Security Condition 14 (Notices), stating the adjustment to these Credit Linked Conditions and/or the applicable Final Terms, the effective dates thereof and giving brief details of the relevant 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

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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 relevant 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.

The Calculation Agent will also determine the Standard Terms as set out in Credit Linked Condition 24 (*Standard Terms*) which will apply to any Successor and/or all relevant elections in respect of the Successor for purposes of the Final Terms in a commercially reasonable manner.

**"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.

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

**"Transaction Auction Settlement Terms"** means, with respect to a Credit Event, the Credit Derivatives Auction Settlement Terms selected by the Calculation Agent in accordance with this provision. In relation to a Credit Event (and as set out in the definition of Credit Derivatives Auction Settlement Terms), ISDA may publish one or more form(s) of Credit Derivatives Auction Settlement Terms on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) and may amend such forms from time to time. Each such form of Credit Derivatives Auction Settlement Terms shall set out, inter alia, definitions of "Auction", "Auction Cancellation Date", "Auction Covered Transaction" and "Auction Final Price Determination Date" in relation to the relevant Credit Event. The Transaction Auction Settlement Terms for purposes of the N&C Securities shall be the relevant form of Credit Derivatives Auction Settlement Terms for which the Reference Transaction would be an Auction Covered Transaction (as such term will be set out in the relevant Credit Derivatives Auction Settlement Terms). The Reference Transaction (as set out in the definition thereof) is a hypothetical credit derivative transaction included in these Credit Linked Conditions principally for the purpose of selecting the Credit Derivatives Auction Settlement Terms appropriate to the N&C Securities.

**"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, the failure of a Securityholder to give the Issuer details of accounts for settlement, or a failure of any Securityholder to open or procure the opening of such accounts) it is impossible or illegal to Deliver on the Physical Settlement Date.

**"Underlying Obligation"** has the meaning given in "Qualifying Guarantee" above.

**"Underlying Obligor"** has the meaning given in the "Qualifying Guarantee" above.

**"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, expenses (including loss of funding), tax and duties incurred by the Issuer and/or any of its Affiliates in connection with the redemption (in whole or in part) of the N&C Securities and the related termination, settlement or re-establishment

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(in whole or in part) of any hedge or related trading position, such amount to be apportioned *pro rata* amongst each nominal amount of N&C Securities in the Calculation Amount.

**"Valuation Date"** means (a) where Physical Delivery is specified as applying in the applicable Final Terms the day falling five (5) Business Days after the Final Delivery Date (as such term is defined in Credit Linked Condition 10 (Physical Delivery)), (b) where Valuation Obligation is specified as applying in the applicable Final Terms a date falling no more than a number of Business Days equal to the relevant Valuation Obligation Determination Period following the Credit Event Determination Event, as selected by the Calculation Agent or (c) otherwise, if "Single Valuation Date" is specified in the applicable Final Terms, the date that is the number of Business Days specified in the Final Terms after the satisfaction of all Conditions to Settlement or, if the number of Business Days is not so specified, five Business Days after the satisfaction of all Conditions to Settlement (or, if Cash Settlement is applicable pursuant to the Fallback Settlement Method, the 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 Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as applicable), and if "Multiple Valuation Dates" is specified in the applicable Final Terms, each of the following dates:

- (i) Subject to Credit Linked Condition 12 (Settlement Suspension) 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 (5) Business Days) following the satisfaction of all Conditions to Settlement (or if Cash Settlement is the applicable Fallback Settlement Method, 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 Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as 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 (5) Business Days) after the date on which the Calculation Agent obtains a Market Value with respect to the immediately preceding Valuation Date.

When "Multiple Valuation Dates" is specified in the 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 (5) 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 or Valuation 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 or Valuation 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

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- (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 or Valuation Obligation and only one Valuation Date:

- (i) "**Blended Market**" means the unweighted arithmetic mean of the Market Value for each Reference Obligation or Valuation Obligation determined by the Calculation Agent with respect to the Valuation Date; or

- (ii) "**Blended Highest**" means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent for each Reference Obligation or Valuation Obligation with respect to the Valuation Date.

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 or Valuation 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; or

- (iii) "**Highest**" means the highest Quotation obtained by the Calculation Agent in respect of any Valuation Date and the relevant Reference Obligation or Valuation Obligation.

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 Obligation"** means:

- (a) any obligation of a Reference Entity (either directly, 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 Valuation Obligations" below (but excluding any Excluded Valuation 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 of selection of the relevant Valuation Obligation, 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 apart from the giving of any notice of

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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 (d)(A)(2)(i) below, each Reference Obligation, unless specified in the applicable Final Terms as an Excluded Valuation Obligation;
- (c) solely in relation to a Restructuring Credit Event applicable to a Sovereign Reference Entity, any Sovereign Restructured Valuation Obligation (but excluding any Excluded Valuation 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, defence (other than a counterclaim or defence 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 Valuation Obligations 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 Valuation Obligation of a Reference Entity specified as such in the applicable Final Terms.

(A) ***Method for Determining Valuation Obligations.*** For the purposes of this definition of "Valuation Obligation", the term "Valuation Obligation" may be defined as each obligation of each Reference Entity described by the Valuation Obligation Category specified in the applicable Final Terms, and, subject to (B)(2) below, having each of the Valuation 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 the subject of either the Credit Event Notice or 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:

- (1) "**Valuation 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 Valuation Obligations, the definition of "Reference Obligations Only" shall be amended to state that no Valuation Obligation Characteristics shall be applicable to Reference Obligations Only).
- (2) "**Valuation Obligation Characteristics**" means any one or more of Not Subordinated, Credit Linked 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 first date of selection of the relevant Valuation Obligation 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 satisfy the Not Contingent Valuation Obligation Characteristics 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 or may exercise the right to pay the purchase or redemption price, in whole or in part, in Equity

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Securities) has not been exercised (or such exercise has been effectively rescinded) on or before the date of selection of the relevant Valuation Obligation.

If a Reference Obligation is a Convertible Obligation or an Exchangeable Obligation, then such Reference Obligation may be included as a Valuation Obligation only if the rights referred to in clauses (A) and (B) of the preceding paragraph have not been exercised (or such exercise has been effectively rescinded) on or before the date of selection of the relevant Valuation Obligation;

- (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 of 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 Securityholder that provides each Securityholder 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 Securityholder and either (A) the Issuer or the Guarantor (as applicable) (in either case, to the extent that the Issuer or the Guarantor (as applicable), 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 first Valuation 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 first Valuation Date will be,

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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 Valuation Obligation Characteristics "Listed" or "Not Bearer" is specified in the applicable Final Terms, the Final Terms shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Valuation Obligation Category; (ii) the Valuation Obligation Characteristic "Transferable" is specified in the applicable Final Terms, the Final Terms shall be construed as though such Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Valuation Obligations that are not Loans (and shall only be relevant to the extent that obligations other than Loans are covered by the selected Valuation Obligation Category); or (iii) any of the Valuation 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 Valuation Obligation Characteristic had been specified as a Valuation Obligation Characteristic only with respect to Loans and shall only be relevant if Loans are covered by the selected Valuation Obligation Category;
- (3) if any of Payment, Borrowed Money, Loan or Bond or Loan is specified as the Valuation Obligation Category and more than one of Assignable Loan, Consent Required Loan and Direct Loan Participation are specified as Valuation Obligation Characteristics, the Valuation Obligations may include any Loan that satisfies any one of such Valuation Obligation Characteristics specified and need not satisfy all such Valuation Obligation Characteristics; and
- (4) in the event that an Obligation or a Valuation Obligation is a Qualifying Guarantee, the following will apply:
  - (i) For purposes of the application of the Obligation Category or the Valuation 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 Valuation Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Valuation Obligation Characteristics, if any, specified in the applicable Final Terms from the following list: Credit Linked 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.

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- (iii) For purposes of the application of the Obligation Characteristics or the Valuation Obligation Characteristics, only the Qualifying Guarantee must satisfy on the relevant date the Obligation Characteristic or the Valuation Obligation Characteristic of Not Subordinated, if specified in the applicable Final Terms.
  - (iv) For purposes of the application of the Obligation Characteristics or the Valuation Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Valuation 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.
  - (v) For purposes of the application of the Obligation Characteristics or the Valuation Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
  - (vi) The terms "Outstanding Principal Balance" and "Due and Payable Amount" (as they are used in the Credit Linked Conditions, including without limitation, the definition of "Quotation Amount" in Credit Linked Condition 11), 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.
- (5) If only one Valuation Date is specified in the applicable Final Terms, any reference in these Credit Linked Conditions to the first Valuation Date shall be deemed to be a reference to such Valuation Date.
- (6) Where the Standard Terms are applicable to determine the Valuation Obligations the row entitled "Physical Settlement Period" shall not be applicable.

For the avoidance of doubt the provisions of this paragraph (B) apply in respect of the definitions of Obligation and Valuation Obligation as the context admits.

**"Valuation Obligation Determination Period"** means the number of Business Days specified as such in the applicable Final Terms.

**"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"** has the meaning given in the definition of "Downstream Affiliate" above.

**"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.



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### 15. CREDIT EVENT NOTICE AFTER RESTRUCTURING CREDIT EVENT

Notwithstanding anything to the contrary in these Credit Linked Conditions, upon the occurrence of a Restructuring with respect to a Series for which 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:

- (a) the Calculation Agent may deliver multiple Credit Event Notices with respect to such Restructuring, each such Credit Event Notice setting forth an amount (the "**Partial Redemption Amount**") that may be less than the Reference Amount in respect of the relevant Reference Entity. In such circumstances, the Credit Event Portion shall be deemed to be the Partial Redemption Amount only, and each such N&C Security shall be redeemed in part (such redeemed part being equal to the Partial Redemption Amount).
- (b) For the avoidance of doubt (i) the Outstanding Redemption Amount of each such N&C Security not so redeemed in part shall remain outstanding and interest shall accrue on the Outstanding Redemption Amount of such N&C Security as provided in Credit Linked Condition 4 (Auction Settlement) (adjusted in such manner as the Calculation Agent determines to be appropriate), (ii) the provisions of Credit Linked Condition 1 (Redemption of Credit Linked N&C Securities) and related provisions shall apply to the Outstanding Redemption Amount of such N&C Security in the event that subsequent Credit Event Notices are delivered in respect of the Reference Entity that was the subject of the Restructuring Credit Event and (iii) if, following a Restructuring Credit Event, different Credit Event Determination Dates have been determined with respect to different portions of amounts payable or deliverable to Securityholders under the relevant Series, the Calculation Agent will (x) determine such adjustment(s) to these Credit Linked Conditions as may be required to achieve as far as practicable the same economic effect as if each such portion was a separate series or otherwise reflect or account for the effect of the above provisions of this Credit Linked Condition 15 and (y) the effective date of such adjustment(s).
- (c) If the provisions of this Credit Linked Condition 15 apply in respect of the N&C Securities, on redemption of part of each such N&C Security the relevant N&C Security or, if the N&C Securities are represented by a Global N&C Security, such Global N&C Security, shall be endorsed to reflect such part redemption.
- (d) If any N&C Security represented by a Rule 144A Global N&C Security is to be redeemed (in whole or in part) by delivery of an Asset Amount, the relevant provisions relating to such delivery shall be set out in the applicable Final Terms.
- (e) In the case of N&C Securities for which First to Default is specified as applicable in the applicable Final Terms, where a Partial Redemption Amount applies then subsequent Credit Event Notices may only be delivered in respect of that Reference Entity for which the first Credit Event Notice referred to above is delivered.

### 16. PROVISIONS RELATING TO MULTIPLE HOLDER OBLIGATION

Notwithstanding anything to the contrary in the definition of Restructuring and related provisions, 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.

"**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.

### 17. PROVISIONS TAKEN FROM THE ISDA SUPPLEMENT TITLED "ADDITIONAL PROVISIONS - MONOLINE INSURER AS REFERENCE ENTITY (MAY 2003)"

If this Credit Linked Condition 17 is specified as applicable in the applicable Final Terms, the following provisions will apply:

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- (a) **Obligation and Deliverable Obligation and Valuation Obligations.** Paragraph (a) of the definition of "Obligation" in Credit Linked Condition 14 (Definitions Applicable to Credit Linked N&C Securities) and paragraph (a) of the definition of "Deliverable Obligation" and "Valuation Obligation" in Credit Linked Condition 14 (Definitions Applicable to Credit Linked N&C Securities) 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 or a Valuation Obligation is a Qualifying Policy, paragraph (b) of the definition of "Deliverable Obligation" and "Valuation Obligation" in Credit Linked Condition 14 (Definitions Applicable to Credit Linked N&C Securities) 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:
- (A) the Obligation Category Borrowed Money and the Obligation Category and Deliverable Obligation Category Bond and the Valuation 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 and the Valuation Obligation Category Bond shall be deemed to include such an Insured Instrument, and the terms "obligation" and "obligor" as used in this Credit Linked Condition 17 in respect of such an Insured Instrument shall be construed accordingly;
  - (B) 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;
  - (C) neither the Qualifying Policy nor the Insured Instrument must satisfy on the relevant date the Deliverable Obligation Characteristic of Accelerated or Matured or the Valuation Obligation Characteristic of Accelerated or Matured, as the case may be, whether or not that characteristic is otherwise specified as applicable in the applicable Final Terms;
  - (D) if the Assignable Loan, Consent Required Loan, Direct Loan Participation or Transferable Deliverable Obligation Characteristics or Valuation Obligation Characteristic, as the case may be 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
  - (E) 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 or Valuation Obligation Characteristic, as the case may be, 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 or the Not Contingent Valuation Obligation Characteristic, as the case may be, 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 Credit Linked Condition 17 is applicable, no inference should be made as to the interpretation of the "Not Contingent" Deliverable Obligation Characteristic or the "Not Contingent" Valuation Obligation Characteristic in the context of limited recourse or similar terms applicable to Deliverable Obligations or Valuation Obligations other than Qualifying Policies.
- (d) **Deliver.** For the purposes of "Deliver" in Credit Linked Condition 14 (Definitions Applicable to Credit Linked N&C Securities), "Deliver" with respect to an obligation that is a Qualifying Policy means to Deliver both the

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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 "Deliver" 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 Credit Linked Condition 14 (Definitions Applicable to Credit Linked N&C Securities) 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 Credit Linked Condition 14 (Definitions Applicable to Credit Linked N&C Securities) 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 the purposes of paragraph (a)(ii) of the definition of "Deliverable Obligation" or "Valuation Obligation" and the definitions of "Credit Event" and "Deliver" in Credit Linked Condition 14 (Definitions Applicable to Credit Linked N&C Securities) 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 Credit Linked Condition 17 (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 Credit Linked Condition 17(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.

### **18. PROVISIONS TAKEN FROM THE ISDA SUPPLEMENT TITLED "ADDITIONAL PROVISIONS — MONOLINE INSURER AS REFERENCE ENTITY (MAY 2005)"**

If Credit Linked Condition 18 is specified as applicable in the applicable Final Terms, the following provisions will apply:

- (a) Obligation, Deliverable Obligation and Valuation Obligations. Paragraph (a) of the definition of "Obligation" in Credit Linked Condition 14 (Definitions Applicable to Credit Linked N&C Securities) and paragraph (a) of the definition of "Deliverable Obligation" and "Valuation Obligation" in Credit Linked Condition 14 (Definitions

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Applicable to Credit Linked N&C Securities) 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, a Deliverable Obligation or a Valuation Obligation is a Qualifying Policy, paragraph (b) of the definition of "Deliverable Obligation" and "Valuation Obligation" in Credit Linked Condition 14 (Definitions Applicable to Credit Linked N&C Securities) 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:
- (A) the Obligation Category Borrowed Money and the Obligation Category and Deliverable Obligation Category Bond and the Valuation 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 and the Valuation Obligation Category Bond shall be deemed to include such an Insured Instrument, and the terms "obligation" and "obligor" as used in this Credit Linked Condition 18 in respect of such an Insured Instrument shall be construed accordingly;
  - (B) 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;
  - (C) neither the Qualifying Policy nor the Insured Instrument must satisfy on the relevant date the Deliverable Obligation Characteristic of Accelerated or Matured or the Valuation Obligation Characteristic of Accelerated or Matured, as the case may be, whether or not that characteristic is otherwise specified as applicable in the applicable Final Terms;
  - (D) if the Assignable Loan, Consent Required Loan, Direct Loan Participation or Transferable Deliverable Obligation Characteristic or Valuation Obligation Characteristic, as the case may be, 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
  - (E) 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 or Valuation 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) For the avoidance of doubt if Credit Linked Condition 18 is specified as applying in the applicable Final Terms the amendments to paragraph (b) of the definition of "Deliverable Obligation" or "Valuation Obligation" in Credit Linked Condition 14 (Definitions Applicable to Credit Linked N&C Securities) provided in Credit Linked Condition 19 shall not be construed to apply to Qualifying Policies and Insured Instruments.
- (d) Not Contingent. An Insured Instrument will not be regarded as failing to satisfy the Net Contingent Deliverable Obligation Characteristic or Not Contingent Valuation Obligation Characteristic, as the case may be, 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 Credit Linked Condition 18 applicable, no inference should be made as to the interpretation of the "Not Contingent" Deliverable Obligation Characteristic or the "Not Contingent" Valuation Obligation Characteristic in the content of limited recourse or similar terms, applicable to Deliverable Obligations or Valuation Obligations other than Qualifying Policies.

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- (e) Deliver. For the purposes of the definition of "Deliver" in Credit Linked Condition 14 (Definitions Applicable to Credit Linked N&C Securities), "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.
- (f) Provisions for Determining a Successor. The paragraph commencing "For the purposes of this definition of "Successor" ..." in the definition of "Successor" in Credit Linked Condition 14 (Definitions Applicable to Credit Linked N&C Securities) is hereby amended by adding "or insurer" after "or guarantor".
- (g) Substitute Reference Obligation. The first paragraph of the definition of "Substitute Reference Obligation" and paragraph (b) thereof in Credit Linked Condition 14 (Definitions Applicable to Credit Linked N&C Securities) 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.
- (h) Restructuring.
  - (A) 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 Credit Linked Condition 14 (Definitions Applicable to Credit Linked N&C Securities) are hereby amended to read as follows:
    - (1) a reduction in the rate or amount or the Instrument Payment in clause (A)(x) of the definition thereof that are guaranteed or insured by the Qualifying Policy;
    - (2) 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;
    - (3) 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;
    - (4) 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
    - (5) 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.
  - (B) Paragraph (c) of the definition of "Restructuring" in Credit Linked Condition 14 (Definitions Applicable to Credit Linked N&C Securities) 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".

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- (C) The definitions of "Restructuring in Credit Linked Condition 14 (Definitions Applicable to Credit Linked N&C Securities) is hereby amended by the insertion of the following paragraph after the final paragraph thereof:

"For purposes of the definition of "Restructuring" in Credit Linked Condition 14 (Definitions Applicable to Credit Linked N&C Securities) and if Credit Linked Condition 16 (Provisions relating to Multiple Holder Obligation) is specified as applying in the applicable Final Terms for the purposes of this Technical Annex 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 references to the Reference Entity in paragraphs (a) to (c) inclusive in the definition of "Restructuring" shall continue to refer to the Reference Entity."

- (i) Fully Transferable Obligation and Conditionally Transferable Obligation. In the event that a 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 guaranteeing 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 Credit Linked Condition 3 (Physical Settlement) 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.
- (j) Other Provisions. For purposes of paragraph (a)(ii) of the definition of "Deliverable Obligation" or "Valuation Obligation", as the case may be, and the definition of "Credit Event" and "Deliver" in Credit Linked Condition 14 (Definitions Applicable to Credit Linked N&C Securities), references to the "Underlying Obligation" and the "Underlying Obligor" shall be deemed to include "Insured Instruments" and the "Insured Obligor", respectively.
- (k) 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 Credit Linked Condition) (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 payment 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 sub-paragraph (d) 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).

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"**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 measures of unreimbursed principal investment.

### 19. SUPPLEMENT TO PROVISIONS RELATING TO QUALIFYING GUARANTEE AND UNDERLYING OBLIGATION

(a) If this Credit Linked Condition 19 is specified as applicable in the applicable Final Terms, Credit Linked Condition 14 (Definitions Applicable to Credit Linked N&C Securities) shall be amended by:

(A) the deletion of the definition of "**Downstream Affiliate**" and the substitution of the following therefor:

"**Downstream Affiliate**" means an entity whose outstanding Voting Shares were, at the date of issuance of the Qualifying Guarantee, more than 50 per cent. (50%) owned, directly or indirectly, by the Reference Entity;

(B) the deletion of paragraphs (B)(4)(ii) and (B)(4)(iii) of the definition of "Deliverable Obligation" or "Valuation Obligation", as the case may be, the substitution of the following therefor and the re-numbering of the remaining paragraphs accordingly:

"(ii) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics or the Valuation Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or Deliverable Obligation Characteristics or Valuation Obligation Characteristics, if any, specified in the applicable Final Terms from the following list: Not Subordinated, Credit Linked 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."; and

(C) the deletion of the definition of "Qualifying Guarantee" and the substitution of the following therefor:

"**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"; and

(b) Credit Linked Condition 16 (Provisions relating to Multiple Holder Obligation) shall be amended by the insertion of the following at the end of the first paragraph thereof:

"provided that any Obligation that is a Bond shall be deemed to satisfy the requirement in (ii) of the definition of "Multiple Holder Obligation" below".

### 20. ADDITIONAL PROVISIONS FOR LPN REFERENCE ENTITIES

If Credit Linked Condition 20 is specified as applicable in the applicable Final Terms, notwithstanding anything to the contrary in the Credit Linked Conditions, the following provisions will apply:

(a) provisions relating to Multiple Holder Obligation will be deemed to be Not Applicable with respect to any Reference Obligation (and any Underlying Loan);

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- (b) each Reference Obligation will be an Obligation, notwithstanding anything to the contrary in the Credit Linked Conditions including, but not limited to the definition of "Obligation" in Credit Linked Condition 14, and in particular, notwithstanding that the obligation is not an obligation of the Reference Entity;
- (c) each Reference Obligation will be a Deliverable Obligation or Valuation Obligation, as the case may be, notwithstanding anything to the contrary in the Credit Linked Conditions including, but not limited to, the definition of "Deliverable Obligation" or "Valuation Obligation" in Credit Linked Condition 14 and in particular, notwithstanding that the obligation is not an obligation of the Reference Entity.

For the avoidance of doubt with respect to any LPN Reference Obligation that specifies an Underlying Loan or an Underlying Finance Instrument, the outstanding principal balance shall be determined by reference to the Underlying Loan or Underlying Finance Instrument (as applicable) relating to such LPN Reference Obligation.

The Not Subordinated Obligation Characteristic and Deliverable Obligation Characteristic and Valuation Obligation Characteristic shall be construed as if no Reference Obligation was specified in respect of the Reference Entity;

- (d) the definition of Reference Obligation shall be deleted and the following substituted therefor:

**"Reference Obligation"** means, as of the Trade Date, each of the obligations listed as a Reference Obligation of the Reference Entity in the applicable Final Terms or set forth on the relevant LPN Reference Obligations List (each a **"Markit Published LPN Reference Obligation"**), as published by Markit Group Limited, or any successor thereto, which list is as of the Trade Date available at <http://www.markit.com/marketing/services.php>, any Additional LPN and each Additional Obligation."; and

- (e) the following additional definitions shall apply:

**"Additional LPN"** means any bond issued in the form of a loan participation note (an **"LPN"**) by an entity (the **"LPN Issuer"**) for the sole purpose of providing funds for the LPN Issuer to (a) finance a loan to the Reference Entity (the **"Underlying Loan"**) or (b) provide finance to the Reference Entity by way of a deposit, loan or other Borrowed Money instrument (the **"Underlying Finance Instrument"**), provided that (i) either (x) in the event that there is an Underlying Loan with respect to such LPN the Underlying Loan satisfies the Obligation Characteristics specified in respect of the Reference Entity or (y) in the event that there is an Underlying Finance Instrument with respect to such LPN the Underlying Finance Instrument satisfies the Not Subordinated, Not Domestic Law and Not Domestic Currency Obligation Characteristics; (ii) the LPN satisfies the following Deliverable Obligation Characteristics or Valuation Obligation Characteristics, as applicable: Transferable, Not Bearer, Credit Linked Specified Currency – Standard Specified Currencies, Not Domestic Law, Not Domestic Issuance; and (iii) the LPN Issuer has, as of the issue date of such obligation, granted a First Ranking Interest over or in respect of certain of its rights in relation to the relevant Underlying Loan or Underlying Finance Instrument (as applicable) for the benefit of the holders of the LPNs.

**"Additional Obligation"** means each of the obligations listed as an Additional Obligation of the Reference Entity in the applicable Final Terms or set forth on the relevant LPN Reference Obligations List, as published by Markit Group Limited, or any successor thereto, which list is, as of the Trade Date, available at <http://www.markit.com/marketing/services.php>.

**"First Ranking Interest"** means a charge, security interest (or other type of interest having similar effect) (an **"Interest"**), which is expressed as being "first ranking", "first priority", or similar (**"First Ranking"**) in the document creating such Interest (notwithstanding that such Interest may not be First Ranking under any insolvency laws of any related insolvency jurisdiction of the LPN Issuer).

**"LPN Reference Obligation"** means each Reference Obligation other than any Additional Obligation.

For the avoidance of doubt, any change to the issuer of an LPN Reference Obligation in accordance with its terms shall not prevent such LPN Reference Obligation constituting a Reference Obligation.



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Each LPN Reference Obligation is issued for the sole purpose of providing funds for the Issuer to finance a loan to the Reference Entity. For the purposes of the Credit Linked Conditions each such loan shall be an Underlying Loan.

### **21. CALCULATION AGENT AND CALCULATION AGENT NOTICES**

Whenever the Calculation Agent is required to act or exercise judgment in relation to these Credit Linked Conditions, 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 these Credit Linked Conditions, notify the Issuer, the Guarantor and the Securityholders of such determination. The Calculation Agent is not acting as a fiduciary for or as an adviser to the Securityholders in respect of its duties as Calculation Agent in connection with any N&C Securities.

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 these Credit Linked Conditions shall (in the absence of manifest error) be final and binding on the Issuer, the Guarantor and the Securityholders. Whenever the Calculation Agent is required to make any determination it may, *inter alia*, decide issues of construction and legal interpretation. Any delay, deferral or forbearance by the Calculation Agent in the performance or exercise of any of its obligations or its discretion under the N&C Securities 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, the Issuer and the Guarantor 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.

Any notice to be delivered by the Calculation Agent to the Issuer or the Guarantor, as applicable, pursuant to these Credit Linked Conditions, may be given in writing (including by facsimile and/or email) and/or by telephone. Any such 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.

### **22. AMENDMENT OF CREDIT LINKED CONDITIONS IN ACCORDANCE WITH MARKET CONVENTION**

The Calculation Agent may from time to time amend any provision of these Credit Linked Conditions to incorporate and/or reflect further or alternative documents from time to time published by ISDA with respect to the settlement of credit derivative transactions and/or the operation or application of determinations by the ISDA Credit Derivatives Determinations Committees which the Calculation Agent and the Issuer determine in a commercially reasonable manner are necessary or desirable to reflect or govern market practice for credit derivative transactions. Any amendment made in accordance with this Credit Linked Condition 22 shall be notified to the Securityholders in accordance with N&C Security Condition 14 (Notices).

### **23. VARIATION OF SETTLEMENT**

If the applicable Final Terms indicate that the Issuer has the option to vary settlement in respect of the N&C Securities, the Issuer may at its sole and absolute discretion in respect of each such N&C Security give notice pursuant to N&C Security Condition 14 (Notices) no later than the tenth (10th) Business Day following the relevant Credit Event Determination Date, that the Settlement Method or Fallback Settlement Method (as applicable) specified in the applicable Final Terms shall be varied either:

- (i) where Cash Settlement is specified, from Cash Settlement to Physical Settlement; or
- (ii) where Physical Settlement is specified, from Physical Settlement to Cash Settlement.

**24. STANDARD TERMS**

If Standard Terms are specified as applicable in the applicable Final Terms, the provisions set out below in respect of the Standard Terms specified in the applicable Final Terms in respect of the relevant Reference Entity(s) set out in this Credit Linked Condition 24 shall apply.

**Corporate Standard Terms**

**Part 1 – Corporate Standard Terms**

<b>Standard Terms</b>	<b>North American Corporate</b>	<b>North American High Yield Corporate</b>	<b>North American Monoline Insurer Corporate</b>	<b>European Corporate</b>	<b>European Insurance Corporate (Subordinated Debt)</b>	<b>Emerging European Corporate</b>	<b>Emerging European Corporate LPN</b>	<b>Australia &amp; New Zealand Corporate</b>	<b>Japan Corporate</b>	<b>Singapore Corporate</b>	<b>Latin American Corporate B</b>	<b>Latin American Corporate B&amp;L</b>	<b>Asia Corporate</b>
<b>All Guarantees</b>	Not Applicable	Not Applicable	Not Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable
<b>Credit Event</b>	Bankruptcy Failure to Pay Restructuring, if specified as applicable relevant Final Terms Restructuring Maturity Limitation and Fully Transferable Obligation: Applicable	Bankruptcy Failure to Pay	Bankruptcy Failure to Pay Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation: Applicable	Bankruptcy Failure to Pay Restructuring Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: Applicable	Bankruptcy Failure to Pay Restructuring	Bankruptcy Failure to Pay Grace Period Extension: Applicable Obligation Acceleration Repudiation/ Moratorium Restructuring Multiple Holder Obligation: Applicable for Loans and Not Applicable for Bonds	Bankruptcy Failure to Pay Grace Period Extension: Applicable Obligation Acceleration Repudiation/ Moratorium Restructuring Multiple Holder Obligation: Applicable for Loans and Not Applicable for Bonds	Bankruptcy Failure to Pay Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation: Applicable	Bankruptcy Failure to Pay Payment Requirement: Japanese Payment Requirement Restructuring Multiple Holder Obligation: Not Applicable Default Requirement: Japanese Default Requirement Credit Linked Condition 15: Not Applicable	Bankruptcy Failure to Pay Restructuring	Bankruptcy Failure to Pay Grace Period Extension: Applicable Obligation Acceleration Repudiation/ Moratorium Restructuring Multiple Holder Obligation: Not Applicable	Bankruptcy Failure to Pay Grace Period Extension: Applicable Obligation Acceleration Repudiation/ Moratorium Restructuring	Bankruptcy Failure to Pay Restructuring
<b>Obligation Category</b>	Borrowed Money	Borrowed Money	Borrowed Money	Borrowed Money	Borrowed Money	Bond Loan or	Bond or Loan	Borrowed Money	Borrowed Money	Bond or Loan	Bond	Bond or Loan	Bond or Loan

**Corporate Standard Terms**

<b>Standard Terms</b>	<b>North American Corporate</b>	<b>North American High Yield Corporate</b>	<b>North American Monoline Insurer Corporate</b>	<b>European Corporate</b>	<b>European Insurance Corporate (Subordinated Debt)</b>	<b>Emerging European Corporate</b>	<b>Emerging European Corporate LPN</b>	<b>Australia &amp; New Zealand Corporate</b>	<b>Japan Corporate</b>	<b>Singapore Corporate</b>	<b>Latin American Corporate B</b>	<b>Latin American Corporate B&amp;L</b>	<b>Asia Corporate</b>	
<b>Obligation Characteristics</b>	None	None	None	None	None	Not Subordinated Not Domestic Currency Not Domestic Law Not Domestic Issuance	Not Subordinated Not Domestic Currency Not Domestic Law Not Domestic Issuance	None	Not Subordinated	Not Subordinated Credit Linked Specified Currency Standard Specified Currencies & Domestic Currency Not Sovereign Lender	Not Subordinated Not Domestic Currency Not Domestic Law Not Domestic Issuance	Not Subordinated Not Sovereign Lender Not Domestic Currency Not Domestic Law Not Domestic Issuance	Not Subordinated Not Sovereign Lender Not Domestic Currency Not Domestic Law Not Domestic Issuance	
<b>Deliverable Obligation Category / Valuation Obligation Category</b>	Bond or Loan	Bond or Loan	Bond or Loan	Bond or Loan	Bond or Loan	Bond or Loan	Bond or Loan	Bond or Loan	Bond or Loan	Bond or Loan	Bond	Bond or Loan	Bond or Loan	
<b>Deliverable Obligation Characteristics / Valuation Obligation Characteristics</b>	Not Subordinated Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer	Not Subordinated Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer	Not Subordinated Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer	Not Subordinated Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer	Not Subordinated Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer	Not Subordinated Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer	Not Subordinated Credit Linked Specified Currency Not Domestic Law Not Contingent Not Domestic Issuance Assignable Loan Consent Required Loan Transferable Not Bearer	Not Subordinated Credit Linked Specified Currency Not Domestic Law Not Contingent Not Domestic Issuance Assignable Loan Consent Required Loan Transferable Not Bearer	Not Subordinated Credit Linked Specified Currency Not Domestic Law Not Contingent Not Domestic Issuance Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30	Not Subordinated Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30	Not Subordinated Credit Linked Specified Currency Standard Specified Currencies & Domestic Currency Not Sovereign Lender Not Contingent Transferable Maximum Maturity: 30 years Not Bearer	Not Subordinated Credit Linked Specified Currency Not Domestic Law Not Contingent Not Domestic Issuance Transferable Not Bearer	Not Subordinated Credit Linked Specified Currency Not Sovereign Lender Not Domestic Law Not Contingent Not Domestic Issuance Transferable	Not Subordinated Credit Linked Specified Currency Not Sovereign Lender Not Domestic Law Not Contingent Not Domestic Issuance Transferable

*Corporate Standard Terms*

<b>Standard Terms</b>	<b>North American Corporate</b>	<b>North American High Yield Corporate</b>	<b>North American Monoline Insurer Corporate</b>	<b>European Corporate</b>	<b>European Insurance Corporate (Subordinated Debt)</b>	<b>Emerging European Corporate</b>	<b>Emerging European Corporate LPN</b>	<b>Australia &amp; New Zealand Corporate</b>	<b>Japan Corporate</b>	<b>Singapore Corporate</b>	<b>Latin American Corporate B</b>	<b>Latin American Corporate B&amp;L</b>	<b>Asia Corporate</b>
						Transferable Not Bearer		years Not Bearer		years Not Bearer		Not Bearer	Maximum Maturity: 30 years Not Bearer
<b>Physical Settlement Period</b>	As per definition of "Physical Settlement Period" in Credit Linked Condition 14 capped at 30 Business Days	As per definition of "Physical Settlement Period" in Credit Linked Condition 14 capped at 30 Business Days	As per definition of "Physical Settlement Period" in Credit Linked Condition 14 capped at 30 Business Days	30 Business Days	30 Business Days	As per definition of "Physical Settlement Period" in Credit Linked Condition 14	As per definition of "Physical Settlement Period" in Credit Linked Condition 14	30 Business Days	30 Business Days	30 Business Days	As per definition of "Physical Settlement Period" in Credit Linked Condition 14	As per definition of "Physical Settlement Period" in Credit Linked Condition 14	30 Business Days

*Sovereign Standard Terms*

**Part 2 – Sovereign Standard Terms**

<b>Standard Terms</b>	<b>Asian Sovereign</b>	<b>Emerging European &amp; Middle Eastern Sovereign</b>	<b>Australia &amp; New Zealand Sovereign</b>	<b>Japan Sovereign</b>	<b>Singapore Sovereign</b>	<b>Latin America Sovereign</b>	<b>Western European Sovereign</b>
<b>All Guarantees</b>	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable	Applicable
<b>Credit Event</b>	Failure to Pay Repudiation/ Moratorium Restructuring	Failure to Pay Grace Period Extension Applicable Obligation Acceleration Repudiation Moratorium Restructuring Multiple Holder Obligation: Not Applicable	Failure to Pay Repudiation/ Moratorium Restructuring Restructuring Maturity Limitation and Fully Transferable Obligation: Applicable	Failure to Pay Payment Requirement: Japanese Payment Requirement Repudiation/ Moratorium Restructuring Multiple Holder Obligation: Not Applicable Default Requirement: Japanese Default Requirement Credit Linked Condition 15: Not Applicable	Failure to Pay Repudiation/ Moratorium Restructuring	Failure to Pay Grace Period Extension Applicable Obligation Acceleration Repudiation Moratorium Restructuring Multiple Holder Obligation: Not Applicable	Failure to Pay Repudiation/ Moratorium Restructuring
<b>Obligation Category</b>	Bond or Loan	Bond	Borrowed Money	Borrowed Money	Bond or Loan	Bond	Borrowed Money
<b>Obligation Characteristics</b>	Not Subordinated Not Sovereign Lender Not Domestic Law Not Domestic Issuance Not Domestic Currency	Not Subordinated Not Domestic Law Not Domestic Issuance Not Domestic Currency	None	None	Not Subordinated Credit Linked Specified Currency: Standard Specified Currencies & Domestic Currency Not Sovereign Lender	Not Subordinated Not Domestic Law Not Domestic Issuance Not Domestic Currency	None

***Sovereign Standard Terms***

<b>Standard Terms</b>	<b>Asian Sovereign</b>	<b>Emerging European &amp; Middle Eastern Sovereign</b>	<b>Australia &amp; New Zealand Sovereign</b>	<b>Japan Sovereign</b>	<b>Singapore Sovereign</b>	<b>Latin America Sovereign</b>	<b>Western European Sovereign</b>
<b>Deliverable Obligation Category / Valuation Obligation Category</b>	Bond or Loan	Bond	Bond or Loan	Bond or Loan	Bond or Loan	Bond	Bond or Loan
<b>Deliverable Obligation Characteristics / Valuation Obligation Characteristics</b>	Not Subordinated Credit Linked Specified Currency Not Sovereign Lender Not Domestic Law Not Contingent Not Domestic Issuance Assignable Loan Transferable Maximum Maturity: 30 years Not Bearer	Not Subordinated Credit Linked Specified Currency Not Domestic Law Not Contingent Not Domestic Issuance Transferable Not Bearer	Not Subordinated Credit Linked Specified Currency: Standard Specified Currency & Domestic Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer	Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer	Not Subordinated Credit Linked Specified Currency: Standard Specified Currency & Domestic Currency Not Sovereign Lender Not Contingent Assignable Loan Transferable Maximum Maturity: 30 years Not Bearer	Not Subordinated Credit Linked Specified Currency Not Domestic Law Not Contingent Not Domestic Issuance Transferable Not Bearer	Credit Linked Specified Currency Not Contingent Assignable Loan Consent Required Loan Transferable Maximum Maturity: 30 years Not Bearer
<b>Physical Settlement Period</b>	30 Business Days	As per definition of "Physical Settlement Period" in Credit Linked Condition 14	30 Business Days	30 Business Days	30 Business Days	As per definition of "Physical Settlement Period" in Credit Linked Condition 14	30 Business Days

## *Inflation Index Technical Annex*

### INFLATION INDEX TECHNICAL ANNEX

#### ADDITIONAL TERMS AND CONDITIONS FOR INFLATION INDEX LINKED SECURITIES

*The terms and conditions applicable to Inflation Index Linked N&C Securities shall comprise (a) the General Terms and Conditions of the N&C Securities (the "N&C Security Conditions") or the additional Terms and Conditions set out below (the "Inflation Index Linked Conditions"), (b) the General Terms and Conditions of the Warrants (the "Warrant Conditions") and the Inflation Index Linked Conditions, in each case, together with the Terms and Conditions as set out in each other Technical Annex which is specified as applicable in the applicable Final Terms (together with, (i) in the case of N&C Securities, the N&C Security Conditions and the Inflation Index Linked Conditions, or (ii) in the case of Warrants, the Warrant Conditions and the Inflation Index Linked Conditions, as the case may be, the "Conditions") and, in each case subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the N&C Security Conditions or Warrant Conditions, as applicable, and the Inflation Index Linked Conditions, the Inflation Index Linked Conditions set out below shall prevail. In the event of any inconsistency between (i) the N&C Security Conditions or Warrant Conditions, as applicable, and/or the Inflation Index Linked Conditions and (ii) the Final Terms, the Final Terms shall prevail. References in the Inflation Index Linked Conditions to "Security" and "Securities" shall be deemed to be references to "N&C Security" and "N&C Securities" or "Warrant" and "Warrants" as the context admits and references to "Securityholder" shall be deemed to be references to "N&C Securityholder" or "Warrantholder" as the context admits.*

References below to a numbered N&C Security Condition or Warrant Condition, as the case may be, are to such numbered section of the N&C Security Conditions or Warrant Conditions, as applicable, and references to a numbered Inflation Index Linked Condition are to such numbered section as set out in this Technical Annex. Defined terms used in this Technical Annex where the same term may be used in another Technical Annex (e.g. Determination Date, Hedging Party, Valuation Date or Averaging Date, as the case may be,) shall have the meanings given in this Technical Annex or in the section of the Final Terms relating to Inflation Index Linked N&C Securities notwithstanding the same terms being used in another Technical Annex.

#### 1. INFLATION INDEX LINKED N&C SECURITIES

This Inflation Index Linked Condition 1 will apply to N&C Securities only.

##### (a) Inflation Index Linked Interest N&C Securities

Unless previously redeemed or purchased and cancelled in accordance with the N&C Security Conditions or as specified in the applicable Final Terms and subject to this Inflation Index Linked Technical Annex, each Inflation Index Linked Interest N&C Security will bear interest in the manner specified in the applicable Final Terms and the N&C Security Conditions.

##### (b) Inflation Index Linked Redemption N&C Securities

Unless previously redeemed or purchased and cancelled, each N&C Security will be redeemed by the Issuer by payment of the Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms on the Maturity.

#### 2. INFLATION INDEX DELAY AND DISRUPTION PROVISIONS

##### (a) Delay in Publication

If the Calculation Agent determines that a Delayed Index Level Event in respect of an Inflation Index has occurred with respect to any Determination Date, then the Relevant Level for such Inflation Index with respect to the relevant Reference Month subject to such Delayed Index Level Event (the "**Substitute Index Level**") shall be determined by the Calculation Agent as follows:

- (i) if "Related Bond" is specified as applicable for such Inflation Index in the relevant Final Terms, the Calculation Agent shall determine the Substitute Index Level by reference to the corresponding index level determined under the terms and conditions of the relevant Related Bond;



## *Inflation Index Technical Annex*

- (ii) if (I) "Related Bond" is not specified as applicable for such Inflation Index in the relevant Final Terms, or (II) the Calculation Agent is not able to determine a Substitute Index Level under (i) above, the Calculation Agent shall determine the Substitute Index Level by reference to the following formula:

$$\text{Substitute Index Level} = \text{Base Level} \times \left( \frac{\text{Latest Level}}{\text{Reference Level}} \right); \text{ or}$$

- (iii) otherwise in accordance with any formula specified in the relevant Final Terms,

in each case as of such Determination Date,

where:

**"Base Level"** means, in respect of an Inflation Index, the level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Level is being determined.

**"Latest Level"** means, in respect of an Inflation Index, the latest level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor prior to the month in respect of which the Substitute Index Level is being determined.

**"Reference Level"** means, in respect of an Inflation Index, the level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month that is 12 calendar months prior to the month in respect of the Latest Level.

The Issuer shall give notice to Securityholders, in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable, of any Substitute Index Level calculated pursuant to this Inflation Index Linked Condition 1.

If the Relevant Level (as defined below) is published or announced at any time on or after the relevant Cut-off Date, such Relevant Level will not be used in any calculations. The Substitute Index Level so determined pursuant to this Inflation Index Linked Condition 1 will be the definitive level for that Reference Month.

### (b) **Cessation of Publication**

If the Calculation Agent determines that the level for the Inflation Index has not been published or announced for two (2) consecutive months, the Inflation Index Sponsor announces that it will no longer continue to publish or announce the Inflation Index or the Inflation Index Sponsor otherwise cancels the Inflation Index, then the Calculation Agent shall determine a successor inflation index (the **"Successor Inflation Index"**) (in lieu of any previously applicable Inflation Index) for the purposes of the Inflation Index Linked Securities by using the following methodology:

- (i) if at any time (other than after an early cancellation event has been designated by the Calculation Agent pursuant to Inflation Index Linked Condition 1(b)(v) below), a successor inflation index has been designated by the calculation agent (or equivalent) pursuant to the terms and conditions of the Related Bond, such successor inflation index shall be designated a "Successor Inflation Index" notwithstanding that any other Successor Inflation Index may previously have been determined under Inflation Index Linked Conditions 1(b)(ii), 1(b)(iii) or 1(b)(iv) below;
- (ii) if a Successor Inflation Index has not been determined pursuant to Inflation Index Linked Condition 2(b)(i) above, and a notice has been given or an announcement has been made by the Inflation Index Sponsor, specifying that the Inflation Index will be superseded by a replacement Inflation Index specified by the Inflation Index Sponsor, and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Inflation Index, such replacement index shall be the

## *Inflation Index Technical Annex*

Inflation Index for purposes of the Inflation Index Linked Securities from the date that such replacement Inflation Index comes into effect;

- (iii) if a Successor Inflation Index has not been determined pursuant to Inflation Index Linked Conditions 2(b)(i) or 2(b)(ii) above, the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Inflation Index should be. If four or five responses are received and, of those four or five responses, three or more leading independent dealers state the same index, this index will be deemed the "Successor Inflation Index". If three responses are received and two or more leading independent dealers state the same index, this index will be deemed the "Successor Inflation Index". If fewer than three responses are received or no Successor Inflation Index is determined pursuant to this Inflation Index Linked Condition 2(b)(iii), the Calculation Agent will proceed to Inflation Index Linked Condition 2(b)(iv) below;
- (iv) if no replacement index or Successor Inflation Index has been determined under Inflation Index Linked Conditions 2(b)(i), 2(b)(ii) or 2(b)(iii) above by the next occurring Cut-Off Date, the Calculation Agent, subject as provided below, will determine an appropriate alternative index from such Cut-Off Date, and such index will be deemed a "Successor Inflation Index"; or
- (v) if the Calculation Agent determines that there is no appropriate alternative index in relation to Inflation Index Linked Securities, on giving notice to Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable, the Issuer shall redeem or cancel, as applicable all but not some only of the Inflation Index Linked Securities, each Inflation Index Linked Security being redeemed or cancelled, as applicable by payment of the relevant Early Redemption Amount, in the case of N&C Securities, or Early Cancellation Amount, in the case of Warrants. Payments will be made in such manner as shall be notified to the Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable.

(c) **Rebasing of the Inflation Index**

If the Calculation Agent determines that the Inflation Index has been or will be rebased at any time, the Inflation Index as so rebased (the "**Rebased Index**") will be used for purposes of determining the level of the Inflation Index from the date of such rebasing; provided, however, that the Calculation Agent shall make adjustments as are made by the calculation agent (or equivalent) pursuant to the terms and conditions of the Related Bond, if "Related Bond" is specified as applicable in the applicable Final Terms, to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased, or, if "Related Bond" is not specified as applicable in the applicable Final Terms, the Calculation Agent shall make adjustments to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased.

(d) **Material Modification Prior to Last Occurring Cut-Off**

If, on or prior to the last occurring Cut-Off Date, the Inflation Index Sponsor announces that it will make a material change to the Inflation Index then the Calculation Agent shall make any such adjustments, if "Related Bond" is specified as applicable in the applicable Final Terms, consistent with adjustments made to the Related Bond, or, if "Related Bond" is not specified as applicable in the applicable Final Terms, only those adjustments to the Inflation Index necessary for the modified Inflation Index to continue as the Inflation Index.

(e) **Manifest Error in Publication**

With the exception of any corrections published after the day which is three (3) Business Days prior to the relevant Maturity Date, in the case of N&C Securities, or Settlement Date, in the case of Warrants, if, within thirty (30) calendar days of publication, the Calculation Agent determines that the Inflation Index Sponsor has corrected the level of the Inflation Index to remedy a manifest error in its original publication, the Calculation Agent may, in its discretion, make such adjustments to the terms of the Inflation Index Linked Securities as it

## *Inflation Index Technical Annex*

determines appropriate to account for the correction and will notify the Securityholders of any such adjustments in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable.

(f) **Consequences of an Additional Disruption Event**

If the Calculation Agent determines that an Additional Disruption Event has occurred, the Issuer may redeem or cancel, as applicable, all but not some of the Inflation Index Linked Securities on the date notified by the Calculation Agent to Securityholders in accordance with N&C Security Condition 14 (Notices) or Warrant Condition 11 (Notices), as applicable by payment of the relevant Early Redemption Amount, in the case of N&C Securities, or Settlement Date, in the case of Warrants, as at the date of redemption or cancellation, as applicable, taking into account the relevant Additional Disruption Event.

### **3. INFLATION INDEX DISCLAIMER**

The Securities are not sponsored, endorsed, sold or promoted by the Inflation Index or the Inflation Index Sponsor and the Inflation Index Sponsor does not make any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Inflation Index and/or the levels at which the Inflation Index stands at any particular time on any particular date or otherwise. Neither the Inflation Index nor the Inflation Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the Inflation Index and the Inflation Index Sponsor is under no obligation to advise any person of any error therein. The Inflation Index Sponsor is not making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with the Securities. Neither the Issuer nor the Guarantor shall have liability to the Securityholders for any act or failure to act by the Inflation Index Sponsor in connection with the calculation, adjustment or maintenance of the Inflation Index. Except as disclosed prior to the Issue Date specified in the applicable Final Terms, neither the Issuer nor the Guarantor nor their Affiliates has any affiliation with or control over the Inflation Index or the Inflation Index Sponsor or any control over the computation, composition or dissemination of the Inflation Index. Although the Calculation Agent will obtain information concerning the Inflation Index from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer, the Guarantor, their Affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Inflation Index.

### **4. DEFINITIONS**

For the purpose of the Inflation Index Linked Securities:

**"Additional Disruption Event"** means any of Change in Law, Hedging Disruption or Increased Cost of Hedging, and any other event 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 Calculation Agent determines in its discretion that (i) it has become illegal to hold, acquire or dispose of any relevant hedging arrangements in respect of the Inflation Index, (ii) any Hedging Party will incur a materially increased cost in performing its obligations in relation to the Securities (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer, any of its Affiliates or any other Hedging Party), or (iii) the performance of the Guarantor under the Guarantee has become unlawful.

**"Cut-Off Date"** means, in respect of a Determination Date, five (5) Business Days prior to any due date for payment under the Securities for which valuation on the relevant Determination Date is relevant, unless otherwise stated in the applicable Final Terms.

## *Inflation Index Technical Annex*

**"Delayed Index Level Event"** means, in respect of any Determination Date and an Inflation Index, that the relevant Inflation Index Sponsor fails to publish or announce the level of such Inflation Index (the **"Relevant Level"**) in respect of any Reference Month which is to be utilised in any calculation or determination to be made by the Issuer in respect of such Determination Date, at any time on or prior to the Cut-Off Date.

**"Determination Date"** means each date specified as such in the applicable Final Terms.

**"End Date"** means each date specified as such in the applicable Final Terms.

**"Fallback Bond"** means, in respect of an Inflation Index, a bond selected by the Calculation Agent and issued by the government of the country to whose level of inflation the relevant Inflation Index relates and which pays a coupon or redemption amount which is calculated by reference to such Inflation Index, with a maturity date which falls on (a) the End Date specified in the applicable Final Terms, (b) the next longest maturity after the End Date if there is no such bond maturing on the End Date, or (c) the next shortest maturity before the End Date if no bond defined in (a) or (b) is selected by the Calculation Agent. If the relevant Inflation Index relates to the level of inflation across the European Monetary Union, the Calculation Agent will select an inflation-linked bond that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Calculation Agent will select the Fallback Bond from those inflation-linked bonds issued on or before the Issue Date and, if there is more than one inflation-linked bond maturing on the same date, the Fallback Bond shall be selected by the Calculation Agent from those bonds. If the Fallback Bond redeems, the Calculation Agent will select a new Fallback Bond on the same basis, but notwithstanding the immediately prior sentence, selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged).

**"Hedging Disruption"** means that any Hedging Party is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the relevant price risk of the Issuer (or the Guarantor (as appropriate)) issuing and performing its obligations with respect to the Securities, or (b) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s), as determined by the Calculation Agent.

**"Hedging Party"** means at any relevant time, the Issuer, or any of its Affiliates or any other party providing the Issuer directly or indirectly with hedging arrangements in relation to the Securities as the Issuer may select at such time.

**"Increased Cost of Hedging"** means that any Hedging Party would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, equity price risk, foreign exchange risk and interest rate risk) of the Issuer (or the Guarantor (as appropriate)) issuing and performing its obligations with respect to the Securities, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

**"Inflation Index"** means each inflation index specified in the applicable Final Terms and related expressions shall be construed accordingly.

**"Inflation Index Sponsor"** means, in relation to an Inflation Index, the entity that publishes or announces (directly or through an agent) the level of such Inflation Index which, as of the Issue Date, is the Inflation Index Sponsor specified in the applicable Final Terms.

**"Reference Month"** means the calendar month for which the level of the Inflation Index is reported as specified in the applicable Final Terms, regardless of when this information is published or announced; except that if the period for which the Relevant Level was reported is a period other than a month, the Reference Month shall be the period for which the Relevant Level is reported.

### *Inflation Index Technical Annex*

**"Related Bond"** means, in respect of an Inflation Index, the bond specified as such in the applicable Final Terms. If the Related Bond specified in the applicable Final Terms is "Fallback Bond", then, for any Related Bond determination, the Calculation Agent shall use the Fallback Bond. If no bond is specified in the applicable Final Terms as the Related Bond and "Fallback Bond: Not Applicable" is specified in the applicable Final Terms, there will be no Related Bond. If a bond is specified as the Related Bond in the applicable Final Terms and that bond redeems or matures before the End Date (i) unless "Fallback Bond: Not Applicable" is specified in the applicable Final Terms, the Calculation Agent shall use the Fallback Bond for any Related Bond determination and (ii) if "Fallback Bond: Not Applicable" is specified in the applicable Final Terms, there will be no Related Bond.

**"Relevant Level"** has the meaning set out in the definition of "Delayed Index Level Event" above.

## Commodity Technical Annex

### COMMODITY TECHNICAL ANNEX

#### ADDITIONAL TERMS AND CONDITIONS FOR COMMODITY LINKED N&C SECURITIES

*The terms and conditions applicable to Commodity Linked N&C Securities shall comprise the General Terms and Conditions of the N&C Securities (the "N&C Security Conditions"), the additional Terms and Conditions set out below (the "Commodity Linked Conditions") and the Terms and Conditions as set out in each other Technical Annex which is specified as applicable in the applicable Final Terms (together with the N&C Security Conditions and the Commodity Linked Conditions, the "Conditions"), in each case subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the N&C Security Conditions and the Commodity Linked Conditions, the Commodity Linked Conditions shall prevail. In the event of any inconsistency between (i) the N&C Security Conditions and/or the Commodity Linked Conditions and (ii) the applicable Final Terms, the applicable Final Terms shall prevail.*

References below to a numbered N&C Security Condition are to such numbered section of the N&C Security Conditions and references to a numbered Commodity Linked Condition are to such numbered section as set out in this Technical Annex. Defined terms used in this Technical Annex where the same term may be used in another Technical Annex (e.g. Exchange or Delivery Date) shall have the meanings given in this Technical Annex or in the section of the Final Terms relating to Commodity Linked N&C Securities notwithstanding the same terms being used in another Technical Annex.

#### 1. COMMODITY LINKED N&C SECURITIES

##### (a) Commodity Linked Interest N&C Securities

Unless previously redeemed or purchased and cancelled in accordance with the N&C Security Conditions or as specified in the applicable Final Terms and subject to these Commodity Linked Conditions, each Commodity Linked Interest N&C Security will bear interest in the manner specified in the applicable Final Terms and the N&C Security Conditions.

##### (b) Commodity Linked Redemption N&C Securities

Unless previously redeemed or purchased and cancelled, each Commodity Linked Redemption N&C Security will be redeemed by the Issuer by payment of the Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms, on the Maturity Date.

#### 2. MARKET DISRUPTION AND DISRUPTION FALLBACK

If, in the opinion of the Calculation Agent, a Market Disruption Event (as defined below) has occurred and is continuing on any Pricing Date (or, if different, the day on which the price for that Pricing Date would, in the ordinary course, be published by the Price Source), the Relevant Price for that Pricing Date will be determined by the Calculation Agent, in accordance with the first applicable Disruption Fallback (as set out below) that provides a Relevant Price. Subject as provided in Commodity Linked Condition 4(a), the provision of this Commodity Linked Condition 2 and each Business Day or Trading Day Convention set out in Commodity Linked Condition 8 will be applied separately in relation to each Commodity or Commodity Index.

##### (a) Market Disruption Event

"**Market Disruption Event**" means an event that in the determination of the Calculation Agent would give rise to or require an alternative basis for determining a Relevant Price were the event to occur or exist on any Pricing Date (or, if different, the day on which prices for that Pricing Date would, in the ordinary course, be published or announced by the Price Source). Without limitation this shall include the occurrence of any of the following events:

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- (i) with respect to all Commodities:
  - (A) Price Source Disruption;
  - (B) Commodity Trading Disruption;
  - (C) Disappearance of Commodity Reference Price;
  - (D) Commodity Tax Disruption;
  - (E) any additional Market Disruption Events as specified in the applicable Final Terms; and
- (ii) with respect to all Commodities other than Bullion:
  - (A) Material Change in Formula;
  - (B) Material Change in Content; and
- (iii) with respect to a Commodity Index:
  - (A) a temporary or permanent failure by the applicable exchange or other price source to announce or publish (x) the Commodity Reference Price or (y) closing price for any futures contract included in the Commodity Index;
  - (B) a material limitation, suspension or disruption of trading in one or more of the futures contracts included in the Commodity Index which results in a failure by the exchange on which each applicable futures contract is traded to report a closing price for such contract on the day on which such event occurs or any succeeding day on which it continues; or
  - (C) the closing price for any futures contract included in the Commodity Index is a "limit price", which means that the closing price for such contract for a day has increased or decreased from the previous day's closing price by the maximum amount permitted under applicable exchange rules.

(b) **Disruption Fallback**

**"Disruption Fallback"** means a source or method that may give rise to an alternative basis for determining the Relevant Price in respect of a specified Commodity Reference Price when a Market Disruption Event occurs or exists on a day that is a Pricing Date in respect of the relevant Securities. A Disruption Fallback is applicable if it is specified in the applicable Final Terms or, if no Disruption Fallback is specified in the applicable Final Terms, the following Disruption Fallbacks will be deemed to have been specified and be applicable and shall mean subject as provided in the final paragraph of this Commodity Linked Condition 2:

- (i) with respect to a relevant Commodity, (in the following order):
  - (A) Fallback Reference Price (if applicable);
  - (B) Delayed Publication or Announcement and Postponement (each to operate concurrently with the other and each subject to a period of consecutive Commodity Business Days (or Bullion Business Days in respect of Bullion) specified as the applicable Specified Maximum Days of Disruption provided, however, that the price determined by Postponement shall be the Relevant Price only if Delayed Publication or Announcement does not yield a Relevant Price within the Specified Maximum Days of Disruption); and

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- (C) Calculation Agent Determination;
- (ii) with respect to a Commodity Index the Calculation Agent shall determine the Relevant Price subject as provided below by:
  - (A) using:
    - I. with respect to each futures contract included in the Commodity Index which is not affected by the Market Disruption Event on such Pricing Date, the closing prices of each such futures contract on the applicable exchange on such Pricing Date; and
    - II. with respect to each futures contract included in the Commodity Index which is affected by the Market Disruption Event on such Pricing Date, the closing prices of each such futures contract on the first Futures Trading Day following such Pricing Date on which no Market Disruption Event is occurring with respect to such futures contract,

in each case as of the Fallback Pricing Date.

- (B) If a Fallback Pricing Date is specified in the applicable Final Terms to be applicable to any Pricing Date for a Commodity Index, and if:
  - I. following adjustment of such Pricing Date on account of the Scheduled Pricing Date not being a Trading Day, the Pricing Date would otherwise fall after the specified Fallback Pricing Date, then such Fallback Pricing Date shall be deemed to be such Pricing Date for such Commodity Index. If such Fallback Pricing Date is not a Trading Day for the Commodity Index, then the Calculation Agent will determine the Commodity Reference Price for the applicable Commodity Index, taking into consideration the latest available level of the Commodity Index and any other information that in good faith it deems relevant of such Commodity Index on such Fallback Pricing Date, and such determination by the Calculation Agent pursuant to this Commodity Linked Condition 2 shall be deemed to be the Commodity Reference Price for such Commodity Index in respect of the relevant Pricing Date; and/or
  - II. the closing price of a futures contract comprised in the Commodity Index would otherwise be used for the purposes of determining the Commodity Reference Price above would fall after the specified Fallback Pricing Date following the adjustment set out in (A)(II) above, then the closing price of such futures contract will instead be taken on such Fallback Pricing Date, and such closing price for the Fallback Pricing Date will be determined by the Calculation Agent, taking into consideration the latest available closing price for such futures contract, and any other information that in good faith it deems relevant.

Subject as provided below, the Calculation Agent shall determine the Relevant Price by reference to the closing prices determined in (A)I and (A)II above or as provided in (B) above using the then current method for calculating the Commodity Reference Price.

Where a Market Disruption Event with respect to one or more futures contracts included in the Commodity Index has occurred on the Scheduled Pricing Date and continues to exist for a number of Trading Days equal to the Specified Maximum Days of Disruption, the Calculation Agent shall determine the Relevant Price on the final such Trading Day. In calculating the Relevant Price as set out herein, the Calculation Agent shall use the formula for calculating the Commodity Reference Price last in effect prior to the Market Disruption Event.



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If any Disruption Fallbacks are specified in the applicable Final Terms, unless otherwise provided in the Final Terms, then only that or those (as the case may be) Disruption Fallbacks shall apply and if two or more Disruption Fallbacks are specified, those Disruption Fallbacks shall apply in the order as specified in the relevant Final Terms, such that if the Calculation Agent determines that the Commodity Reference Price cannot be determined by applying a Disruption Fallback, then the next Disruption Fallback specified shall apply, provided in all cases that, if the Commodity Reference Price cannot be determined using any Disruption Fallback so specified, then Calculation Agent Determination shall be deemed to apply.

### **3. FALLBACK PRICING DATES**

In respect of a Commodity, and notwithstanding any other terms of the Commodity Linked Conditions applicable to a Commodity, if a Fallback Pricing Date is specified in the relevant Final Terms to be applicable to any Pricing Date and if, following adjustment of the original date on which the Pricing Date was scheduled to fall pursuant to the applicable Commodity Business Day Convention (or Bullion Business Day Convention) or, following the application of a Disruption Fallback pursuant to Commodity Linked Condition 2 (Market Disruption and Disruption Fallback) or adjustment of the Pricing Date pursuant to Commodity Linked Condition 4(a) (Common Pricing), the determination of a Commodity Reference Price, or the Pricing Date in respect of a Commodity, as applicable, would otherwise fall after the specified Fallback Pricing Date in respect of the Commodity, then the Fallback Pricing Date shall be deemed to be the Pricing Date for the Commodity.

If the Fallback Pricing Date is not a Commodity Business Day (or a Bullion Business Day), the Commodity Reference Price of such Commodity shall be subject to Calculation Agent Determination on such Fallback Pricing Date, and such determination by the Calculation Agent pursuant to this Commodity Linked Condition 3 shall be deemed to be the Commodity Reference Price in respect of the relevant Pricing Date.

### **4. TERMS RELATING TO CALCULATION OF PRICES**

#### **(a) Common Pricing**

With respect to Commodity Linked N&C Securities relating to a Basket of Commodities, if "Common Pricing" is specified in the applicable Final Terms as:

- (i) "Applicable", then no date will be a Pricing Date unless such date is a day on which all referenced Commodity Reference Prices (for which such date would otherwise be a Pricing Date) are scheduled to be published or announced, as determined on the Trade Date of the N&C Securities;
- (ii) "Not Applicable", then if the Calculation Agent determines that a Market Disruption Event (as defined above) has occurred or exists on the Pricing Date in respect of any relevant Commodity and/or Commodity Index (each an "**Affected Commodity**"), the Relevant Price of each Commodity and/or Commodity Index within the basket which is not affected by the occurrence of a Market Disruption Event shall be determined on its Scheduled Pricing Date and the Relevant Price for each Affected Commodity shall be determined in accordance with the first applicable Disruption Fallback that provides a Relevant Price.

All determinations made by the Calculation Agent pursuant to this Commodity Linked Condition will be conclusive and binding on the Securityholders and the Issuer except in the case of manifest error.

#### **(b) Correction to Published Prices**

For purposes of determining or calculating the Relevant Price for any day, if the price published or announced on a given day and used or to be used by the Calculation Agent to determine a Relevant Price is subsequently corrected and the correction is published or announced by the person responsible for that publication or announcement within 30 calendar days (or 90 calendar days, in connection with a weather index) after the original publication or announcement (or, if earlier the day falling two (2) Commodity Business Days (in the case of a Commodity), Bullion Business Days (in the case of Bullion) or Trading Days (in the case of a Commodity

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Index) preceding the date on which payment or delivery of any amount to be calculated by reference to such Relevant Price is due), the Calculation Agent may, in its sole discretion, use such corrected price in such calculation.

### 5. **ADJUSTMENTS TO A COMMODITY INDEX**

#### (a) **Successor Index Sponsor Calculates and Reports a Commodity Index**

If a relevant Commodity Index is (i) not calculated and announced by the Index Sponsor but is calculated and announced by a successor sponsor (the "**Successor Index Sponsor**") acceptable to the Issuer, or (ii) 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 Commodity Index, then in each case that index (the "**Successor Index**") will be deemed to be the Commodity Index.

#### (b) **Modification and Cessation of Calculation of a Commodity Index**

If (in the determination of the Calculation Agent) on or prior to a Pricing Date (i) the relevant Index Sponsor makes a material change in the formula for or the method of calculating a relevant Commodity Index or in any other way materially modifies that Commodity Index (other than a modification prescribed in that formula or method to maintain that Commodity Index in the event of changes in constituent commodities and weightings and other routine events), or (ii) the Index Sponsor permanently cancels a relevant Commodity Index or (iii) the Index Sponsor fails to calculate and announce a relevant Commodity Index and there is no Successor Index Sponsor or Successor Index then the Calculation Agent may at its option (in the case of (i)) and shall (in the case of (ii) and (iii)) (such events (i) (ii) and (iii) to be collectively referred to as "**Index Adjustment Events**") calculate the Relevant Price using in lieu of the published level for that Commodity Index, the level for that Commodity Index as at the relevant determination date as determined by the Calculation Agent in accordance with the formula for and method of calculating that Commodity Index last in effect prior to the relevant Index Adjustment Event, but using only those futures contracts that comprised that Commodity Index immediately prior to the relevant Index Adjustment Event (other than those futures contracts that have ceased to be listed on any relevant exchange).

#### (c) **Commodity Index Substitution**

If the Calculation Agent determines, in its sole discretion, that it is not reasonably practicable or commercially reasonable (taking into account the costs involved) to calculate or continue to calculate the Commodity Index pursuant to the preceding paragraph, the Calculation Agent may rebase the N&C Securities against another index or basket of indices, as applicable, determined by the Calculation Agent to be comparable to the relevant Commodity Index, and, following such rebasing, the Calculation Agent will make such adjustment(s) that it determines to be appropriate, if any, to any variable, calculation methodology, valuation, settlement, payment terms or any other terms of the N&C Securities to account for such rebasing.

#### (d) **Early Redemption**

If the Calculation Agent determines, in its sole discretion, that there is no such index or basket of indices comparable to the relevant Commodity Index, and/or that application of the preceding paragraphs would not achieve a commercially reasonable result, the Calculation Agent may determine that the N&C Securities shall be redeemed, in which event the Issuer will cause to be paid to each holder in respect of each N&C Security held by it an amount equal to the Early Redemption Amount (as defined in N&C Security Condition 7.7 (Early Redemption Amounts) and specified in the applicable Final Terms).

#### (e) **Notices**

On making any such adjustment or determination, the Calculation Agent shall give notice as soon as practicable to the Holders stating the adjustment to any amount payable under the N&C Securities, the determination and/or

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any of the other relevant terms and giving brief details of the Index Adjustment Event, provided that any failure to give such notice shall not affect the validity of the Index Adjustment Event or any action taken.

### **6. COMMODITY INDEX DISCLAIMER**

The N&C Securities are not sponsored, endorsed, sold, or promoted by the Commodity Index or the Index Sponsor and no Index Sponsor makes any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Commodity Index and/or the levels at which the Commodity Index stands at any particular time on any particular date or otherwise. No Commodity Index or Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the Commodity Index and the Index Sponsor is under no obligation to advise any person of any error therein. No Index Sponsor is making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with the N&C Securities. The Issuer and the Guarantor shall have no liability to the Holders for any act or failure to act by the Index Sponsor in connection with the calculation, adjustment, or maintenance of the Index. Except as may be disclosed prior to the Issue Date and specified in the relevant Final Terms, none of the Issuer, the Guarantor, the Calculation Agent or any of their respective affiliates has any affiliation with or control over the Commodity Index or Index Sponsor or any control over the computation, composition, or dissemination of the Commodity Index. Although the Calculation Agent will obtain information concerning the Index from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty, or undertaking (express or implied) is made and no responsibility is accepted by the Issuer, the Guarantor, their affiliates, or the Calculation Agent as to the accuracy, completeness, and timeliness of information concerning the Commodity Index.

### **7. CONSEQUENCES OF AN ADDITIONAL DISRUPTION EVENT**

Following the determination by the Calculation Agent that an Additional Disruption Event has occurred, the Calculation Agent may, in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner):

- (a) determine to make such adjustment to the interest, redemption, settlement, payment or any other terms of the N&C Securities as the Calculation Agent determines appropriate to account for such Additional Disruption Event; and/or
- (b) determine that the N&C Securities shall be redeemed, in which event the Issuer will cause to be paid to each Holder in respect of each N&C Securities held by it an amount equal to the Early Redemption Amount, as specified in the applicable Final Terms.

### **8. DEFINITIONS**

**"Additional Disruption Event"** means (a) a Change in Law, (b) a Hedging Disruption and/or (c) an Increased Cost of Hedging.

**"Averaging Date"** means each date specified as an Averaging Date in the applicable Final Terms, which, unless otherwise specified in the applicable Final Terms, shall be subject to adjustment on the basis it is a Pricing Date (a) to which the Commodity Business Day Convention (in the case of a Commodity), the Bullion Business Day Convention (in the case of Bullion) and the Trading Day Convention (in the case of a Commodity Index) applied and (b) for the purposes of determining the consequences of a Disrupted Day occurring on any such day in accordance with the Commodity Linked Conditions.

**"Bloomberg Screen"** means, in respect of a Commodity Reference Price, when used in connection with any designated page, the display page so designated on the Bloomberg® service (or such other page as may replace that page on that service for the purpose of displaying prices comparable to such Commodity Reference Price, as determined by the Calculation Agent).

**"Bullion"** means each of gold, palladium, platinum and silver, and related expressions shall be construed accordingly.

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**"Bullion Business Day"** means any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London and New York.

**"Bullion Business Day Convention"** means the convention for adjusting any Pricing Date or other relevant date if it would otherwise fall on a day that is not a Bullion Business Day. If the relevant Final Terms specify, in respect of such Pricing Date or other date, that:

- (a) **"Following"** shall apply to such Pricing Date or other date, then if the Scheduled Pricing Date or other scheduled date corresponding to such date is not a Bullion Business Day, the Pricing Date or other date will be the first following day that is a Bullion Business Day;
- (b) **"Modified Following"** shall apply to such Pricing Date or other date, then if the Scheduled Pricing Date or other scheduled date corresponding to such date is not a Bullion Business Day, the Pricing Date or other date will be the first following day that is a Bullion Business Day, unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Bullion Business Day;
- (c) **"Nearest"** shall apply to such Pricing Date or other date, then if the Scheduled Pricing Date or other scheduled date corresponding to such date is not a Bullion Business Day, the Pricing Date or other date will be (i) the first preceding day that is a Bullion Business Day if such date falls on a day other than a Sunday or Monday and (ii) the first following day that is a Bullion Business Day if such date falls on a Sunday or Monday;
- (d) **"Preceding"** shall apply to such Pricing Date or other date, then if the Scheduled Pricing Date or other scheduled date corresponding to such date is not a Bullion Business Day, the Pricing Date or other date will be the first preceding day that is a Bullion Business Day; or
- (e) **"No Adjustment"** shall apply to such Pricing Date or other date, then if the Scheduled Pricing Date or other scheduled date corresponding to such date is not a Bullion Business Day, the Pricing Date or other date will nonetheless be such Scheduled Pricing Date or other scheduled date.

If the relevant Final Terms does not specify an applicable Bullion Business Day Convention, then it shall be deemed that "Modified Following" shall apply.

**"Calculation Agent Determination"** means that the Calculation Agent will determine the Relevant Price (or method for determining the Relevant Price), taking into consideration the latest available quotation for the relevant Commodity Reference Price and any other information that in good faith it deems relevant.

**"CFTC"** means the U.S. Commodity Futures Trading Commission or any successor.

**"Change in Law"** means that, on or after the Trade Date (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, application, exercise or operation by any court, tribunal or regulatory authority, exchange or trading facility or any other relevant entity with competent jurisdiction of any applicable law, rule, regulation, order, decision or determination (including, without limitation, any action taken by a taxing authority or as implemented by the CFTC), the Calculation Agent determines in good faith that (x) it has become illegal (or upon adoption, it will be illegal) to hold, acquire or dispose of any relevant commodity, futures contract, options contract, Hedge Position (in the aggregate on a portfolio basis or incrementally on a trade by trade basis) or other asset, or (y) the Hedging Party will incur a materially increased cost in performing its obligations in relation to the N&C Securities (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

**"Commodity"** and **"Commodities"** means, subject to adjustment in accordance with these Commodity Linked Conditions, in the case of an issue of Commodity Linked N&C Securities relating to a basket of Commodities, each commodity and, in the case of an issue of Commodity Linked N&C Securities relating to a single Commodity, the Commodity (each of which may include Bullion and which may refer to a specified futures contract for the purposes of determining a Commodity Reference Price), in each case specified in the applicable Final Terms and related expressions shall be construed accordingly.

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**"Commodity Business Day"** means, in respect of a single Commodity (other than Bullion) or a basket of Commodities (excluding any Bullion) and:

- (a) where the Commodity Reference Price for a Commodity 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 such Exchange is open for trading during its regular trading session, notwithstanding any such Exchange closing prior to its scheduled closing time; and
- (b) where the Commodity Reference Price for a Commodity 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 Business Day Convention"** means the convention for adjusting any Pricing Date or other relevant date if it would otherwise fall on a day that is not a Commodity Business Day. If the relevant Final Terms specify, in respect of such Pricing Date or other date, that:

- (a) **"Following"** shall apply to such Pricing Date or other date, then if the Scheduled Pricing Date or other scheduled date corresponding to such date is not a Commodity Business Day, the Pricing Date or other date will be the first following day that is a Commodity Business Day;
- (b) **"Modified Following"** shall apply to such Pricing Date or other date, then if the Scheduled Pricing Date or other scheduled date corresponding to such date is not a Commodity Business Day, the Pricing Date or other date will be the first following day that is a Commodity Business Day, unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Commodity Business Day;
- (c) **"Nearest"** shall apply to such Pricing Date or other date, then if the Scheduled Pricing Date or other scheduled date corresponding to such date is not a Commodity Business Day, the Pricing Date or other date will be (i) the first preceding day that is a Commodity Business Day if such date falls on a day other than a Sunday or Monday and (ii) the first following day that is a Commodity Business Day if such date falls on a Sunday or Monday;
- (d) **"Preceding"** shall apply to such Pricing Date or other date, then if the Scheduled Pricing Date or other scheduled date corresponding to such date is not a Commodity Business Day, the Pricing Date or other date will be the first preceding day that is a Commodity Business Day; or
- (e) **"No Adjustment"** shall apply to such Pricing Date or other date, then if the Scheduled Pricing Date or other scheduled date corresponding to such date is not a Commodity Business Day, the Pricing Date or other date will nonetheless be such Scheduled Pricing Date or other scheduled date.

If the relevant Final Terms does not specify an applicable Commodity Business Day Convention, then it shall be deemed that "Modified Following" shall apply.

**"Commodity Index"** means, subject to adjustment in accordance with the Commodity Linked Conditions, an index comprising various commodities or commodity prices or commodity futures contracts, as specified in the applicable Final Terms, and related expressions shall be construed accordingly.

**"Commodity Reference Price"** means (i) in respect of all Commodities, the Commodity Reference Price specified in the applicable Final Terms and (ii) in respect of a Commodity Index, the Commodity Reference Price specified in the applicable Final Terms, or if not so specified, the official published closing level of such Commodity Index on the relevant day as calculated and published by the applicable Index Sponsor or as otherwise determined by the Calculation Agent, subject as provided in the Commodity Linked Conditions.

**"Commodity Tax Disruption"** means 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, the relevant Commodity (other than a tax on, or measured by reference to overall gross or net income) by any government or taxation authority after the

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Trade Date, if the direct effect of such imposition, change or removal is to raise or lower the Relevant Price on a day that would otherwise be a Pricing Date from what it would have been without that imposition, change or removal.

**"Commodity Trading Disruption"** means the material suspension of, or the material limitation imposed on, trading in the Futures Contract or the Commodity on the Exchange or in any additional futures contract, options contract or commodity on any Exchange as specified in the applicable Final Terms.

For these purposes:

- (i) a suspension of the trading in the Futures Contract or the Commodity on any Commodity Business Day or Bullion Business Day shall be deemed to be material only if:
  - (A) all trading in the Futures Contract or the Commodity is suspended for the entire Pricing Date; or
  - (B) all trading in the Futures Contract or the Commodity is suspended subsequent to the opening of trading on the Pricing Date, trading does not recommence prior to the regularly scheduled close of trading in such Futures Contract or such Commodity on such Pricing Date and such suspension is announced less than one hour preceding its commencement; and
- (ii) a limitation of trading in the Futures Contract or the Commodity on any Commodity Business Day or any Bullion Business Day shall be deemed to be material only if the relevant Exchange establishes limits on the range within which the price of the Futures Contract or 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.

**"Delayed Publication or Announcement"** means that the Relevant Price for a Pricing Date will be determined based on the Specified Price in respect of the original day scheduled as such Pricing Date that is published or announced by the relevant Price Source retrospectively on the first succeeding Commodity Business Day (or Bullion Business Day) on which the Market Disruption Event (as defined above) ceases to exist, unless that Market Disruption Event continues to exist (measured from and including the Scheduled Pricing Date) or the Relevant Price continues to be unavailable for a number of consecutive Commodity Business Days (or consecutive Bullion Business Days) equal to the Specified Maximum Days of Disruption. In that case, the next Disruption Fallback (as defined below) will apply.

**"Delivery Date"** means, in respect of a Commodity Reference Price and a Pricing Date, either (i) the relevant date or month for delivery of the underlying 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 is specified in the applicable Final Terms or (ii) the relevant Nearby Month specified in the applicable Final Terms, provided that:

- (a) if the relevant Final Terms specify that **"Futures Contract – Expiry Date Roll"** shall be applicable in respect of a Commodity Reference Price, then "Delivery Date" shall mean, in respect of a Commodity Reference Price and the relevant Pricing Dates, the month of expiry of the first contract traded on the Exchange for the future delivery of such Commodity to expire after the relevant Pricing Date, PROVIDED THAT, for the avoidance of doubt, in the event that such Pricing Date for such Commodity Reference Price falls on the Last Trading Day for a contract traded on the Exchange for the future delivery of the relevant Commodity, then the "Delivery Date" for such Commodity Reference Price in relation to such Pricing Date shall be the month of expiry of the next contract for the future delivery of such Commodity to expire after (but not on) such Pricing Date.
- (b) if the relevant Final Terms specify that **"Futures Contract – Delivery Date Roll"** shall be applicable in respect of a Commodity Reference Price, then "Delivery Date" shall mean, in respect of a Commodity Reference Price and the relevant Pricing Dates, the month of expiry of the first contract traded on the Exchange for the future delivery of such Commodity to expire after the relevant Pricing Date, PROVIDED THAT, in the event that such Pricing Date for such Commodity Reference Price falls (i) in the period commencing on, and including, the First Notice Day of the Notice Period for Delivery of such contract to, but excluding, the Last Trading Day of such contract, then the "Delivery Date" for such Commodity Reference Price in relation to such Pricing Date shall instead be the month of expiry of the second contract for the future delivery of such Commodity to expire after such Pricing Date, or (ii) on the Last Trading Day for a contract traded on the Exchange for the future delivery of

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such Commodity, then the "Delivery Date" for such Commodity Reference Price in relation to such Pricing Date shall be the month of expiry of the next contract for the future delivery of such Commodity to expire after (but not on) such Pricing Date.

**"Disappearance of Commodity Reference Price"** means:

- (a) the permanent discontinuation of trading, in the relevant Futures Contract on the relevant Exchange;
- (b) the disappearance of, or of trading in, the 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 the Commodity.

**"Disrupted Day"** means any Commodity Business Day (in respect of a Commodity) or Bullion Business Day (in respect of Bullion) or Trading Day (in respect of a Commodity Index) in relation to which a Market Disruption Event has occurred.

**"Disruption Fallback"** has the meaning given in Commodity Linked Condition 2(b).

**"Exchange"** means, in relation to a Commodity, the exchange or principal trading market specified as such for such Commodity in the applicable Final Terms or Commodity Reference Price.

**"Fallback Pricing Date"** means, in respect of a Commodity or Commodity Index, the date(s) specified as such in the relevant Final Terms, or, if no date is specified for the Fallback Pricing Date in the relevant Final Terms, then the Fallback Pricing Date for any date on which the price of such Commodity or the level of such Commodity Index, as the case may be, is required to be determined shall be the second (2) Commodity Business Day (in the case of a Commodity), Bullion Business Day (in the case of Bullion) or Trading Day (in the case of a Commodity Index) prior to the next following date upon which any payment or delivery of assets may have to be made by the Issuer by reference to the price of such Commodity or the level of such Commodity Index, as the case may be, on such day.

**"Fallback Reference Price"** means that the Calculation Agent will determine the Relevant Price based on the price for that Pricing Date of the first alternate Commodity Reference Price, if any, specified as such in the applicable Final Terms and not subject to a Market Disruption Event. If no alternate Commodity Reference Price is specified in the applicable Final Terms, the next Disruption Fallback (as defined above) will apply.

**"Final Valuation Date"** means the date specified as a Final Valuation Date in the applicable Final Terms, which, unless otherwise specified in the applicable Final Terms, shall be subject to adjustment on the basis it is a Pricing Date (a) to which the Commodity Business Day Convention (in the case of a Commodity), the Bullion Business Day Convention (in the case of Bullion) and the Trading Day Convention (in the case of a Commodity Index) applied and (b) for the purposes of determining the consequences of a Disrupted Day occurring on any such day in accordance with the Commodity Linked Conditions.

**"First Notice Day of the Notice Period for Delivery"** means, in respect of the relevant Futures Contract, the "first notice day" for delivery of the relevant Commodity under such Futures Contract pursuant to the rules and regulations of the relevant Exchange, as at the relevant Pricing Date.

**"Futures Contract"** means, unless otherwise specified in the applicable Final Terms, and in respect of a Commodity Reference Price, the contract for future delivery of a contract size in respect of the relevant Delivery Date relating to the Commodity or Commodity Index referred to in that Commodity Reference Price.

**"Futures Trading Day"** means, in respect of a Commodity Index and a futures contract comprised therein, each day on which the exchange on which such futures contract trades is open for trading.

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**"Hedge Positions"** means any purchase, sale, entry into or maintenance of one or more (a) positions or contracts in securities, options, futures, derivatives or foreign exchange or (b) other instruments or arrangements (howsoever described) in order to hedge individually or on a portfolio basis the Issuer's obligations under the N&C Securities.

**"Hedging Disruption"** means that the Hedging Party is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risks of the Issuer issuing and the Issuer performing its obligations with respect to or in connection with the relevant N&C Securities, or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

**"Hedging Party"** means at any relevant time, the Issuer or any of its Affiliates or any other party providing the Issuer directly or indirectly with hedging arrangements in relation to the N&C Securities as the Issuer may select at such time.

**"Increased Cost of Hedging"** means that the Issuer and/or any of its Affiliates or agents acting on its behalf 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 (i) acquire, establish, re-establish, substitute, maintain, unwind, or dispose of any transaction(s) or asset(s) it deems necessary to hedge the commodity or other price risk of the Issuer issuing and performing its obligations with respect to the N&C Securities, or (ii) 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 or agents shall not be deemed an Increased Cost of Hedging.

**"Index Sponsor"** means, in relation to a Commodity Index, the index sponsor specified for such Commodity Index in the applicable Final Terms or any Successor Index Sponsor and, if not specified, the corporation or other entity that, as determined by the Calculation Agent, (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to such Commodity Index, and (b) announces (directly or through an agent) the level of such Commodity Index on a regular basis in respect of each Trading Day.

**"Index Sponsor Business Centre"**, in respect of a Commodity Index, means the principal financial centre in which the Index Sponsor makes determinations and performs calculations for such Commodity Index as determined by the Calculation Agent.

**"Initial Valuation Date"** means the date specified as a Initial Valuation Date in the applicable Final Terms, which, unless otherwise specified in the applicable Final Terms, shall be subject to adjustment on the basis it is a Pricing Date (a) to which the Commodity Business Day Convention (in the case of a Commodity), Bullion Business Day Convention (in the case of Bullion) and the Trading Day Convention (in the case of a Commodity Index) applied and (b) for the purposes of determining the consequences of a Disrupted Day occurring on any such day in accordance with the Commodity Linked Conditions.

**"Last Trading Day"** means, in respect of the relevant Futures Contract, the final day during which trading may take place in such Futures Contract pursuant to the rules and regulations of the relevant Exchange, as at the relevant Pricing Date, as determined by the Calculation Agent.

**"Market Disruption Event"** has the meaning given it in Commodity Linked Condition 2(a).

**"Material Change in Content"** means the occurrence since the Trade Date of a material change in the content, composition or constitution of the relevant Commodity or relevant Futures Contract.

**"Material Change in Formula"** means the occurrence since the Trade Date of a material change in the formula for or method of calculating the relevant Commodity Reference Price.

**"Nearby Month"** when preceded by a numerical adjective, means, in respect of a Delivery Date and a Pricing Date, the month of expiration of the Futures Contract identified by the numerical adjective, so that, for example, (i) **"First Nearby Month"** means the month of expiration of the first Futures Contract to expire following that Pricing Date and (ii) **"Second Nearby Month"** means the month of expiration of the second Futures Contract to expire following that Pricing Date etc.



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**"Observation Period"** means the period specified as the Observation Period in the applicable Final Terms.

**"Postponement"** means that the Pricing Date will be deemed, for purposes of the application of this Disruption Fallback, to be the first succeeding Commodity Business Day (or Bullion Business Day) on which the Market Disruption Event ceases to exist, unless that Market Disruption Event continues to exist for the number of consecutive Commodity Business Days (measured from and including the Scheduled Pricing Date) (or consecutive Bullion Business Days) equal to the Specified Maximum Days of Disruption in respect of such Commodity. In that case, the next Disruption Fallback specified in the definition of "Disruption Fallback" above will apply.

**"Price Source"** means the publication(s) and/or Screen Page(s) (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 specified Commodity Reference Price or otherwise in the applicable Final Terms provided that if the relevant Final Terms specify that "Futures Contract – Delivery Date Roll" or "Futures Contract – Expiry Date Roll" is applicable, then "Price Source" means the publication(s) and/or Screen Page(s) (or such other origin of reference, including an Exchange) as specified in the relevant Final Terms in order to reference the relevant Futures Contract on the relevant date and at the relevant time set forth in the applicable proviso relating to such Commodity in the definition of "Delivery Date".

**"Price Source Disruption"** means:

- (a) the failure of the Price Source to announce or publish the Specified Price (or the information necessary for determining the Specified Price) for the relevant Commodity Reference Price; or
- (b) the temporary or permanent discontinuance or unavailability of the Price Source.

**"Pricing Date"** has the meaning given it in the applicable Final Terms, subject to adjustment in accordance with the relevant Commodity Business Day Convention (in respect of a Commodity) or Bullion Business Day Convention (in respect of Bullion) or the relevant Trading Day Convention (in respect of a Commodity Index), as is applicable, and in accordance with the Commodity Linked Conditions.

**"Relevant Price"** means for any Pricing Date, the price, expressed as a price per unit of the relevant Commodity or the price or level of the relevant Commodity Index, determined with respect to that day for the specified Commodity Reference Price calculated as provided in these Commodity Linked Conditions and the applicable Final Terms.

**"Reuters Screen"** means, in respect of a Commodity Reference Price, when used in connection with any designated page, the display page so designated on Reuters (or such other page as may replace that page on that service for the purpose of displaying prices comparable to such Commodity Reference Price, as determined by the Calculation Agent).

**"Scheduled Observation Date"** means each date specified as a Scheduled Observation Date in the applicable Final Terms, which, unless otherwise specified in the applicable Final Terms, shall be subject to adjustment (a) on the basis it is a Pricing Date to which the Commodity Business Day Convention (in the case of a Commodity), the Bullion Business Day Convention (in the case of Bullion) and the Trading Day Convention (in the case of a Commodity Index) applied and (b) for the purposes of determining the consequences of a Disrupted Day occurring on any such day in accordance with the Commodity Linked Conditions.

**"Scheduled Pricing Date"** means, in respect of a Pricing Date, the original day scheduled as such Pricing Date, prior to any adjustment or postponement thereof.

**"Screen Page"** means, in respect of a Commodity Reference Price, the Bloomberg Screen page and/or the Reuters Screen page and/or such other screen page of such other information provider, on which relevant information for such Commodity Reference Price is reported or published, as is specified in the relevant Final Terms.

**"Specified Maximum Days of Disruption"** means, unless otherwise specified in the applicable Final Terms, such number of Commodity Business Days (or, in the case of Bullion, Bullion Business Days or, in the case of a Commodity Index, Trading Days) in the period from (but excluding) the Scheduled Pricing Date to (but excluding) the fifth (5) Commodity Business Day (or, in the case of Bullion, Bullion Business Day or in the case of a Commodity Index, Trading Day), prior to

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any due date for any payment or delivery under the Securities for which determination of the relevant Commodity Reference Price on the applicable Pricing Date is relevant.

**"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 applicable 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 price; (M) the afternoon fixing price; (N) the spot price; or (O) any other price specified in the applicable Final Terms.

**"Successor Index"** has the meaning ascribed to in Commodity Linked Condition 5 above.

**"Successor Index Sponsor"** has the meaning ascribed to in Commodity Linked Condition 5 above.

**"Trade Date"** means the day specified as such in the applicable Final Terms.

**"Trading Day"** means a day when:

- (i) the Index Sponsor is open for business in the Index Sponsor Business Centre; and
- (ii) the exchanges of all futures contracts included in or that contribute to the relevant Commodity Reference Price are open for trading.

**"Trading Day Convention"** means, in respect of a Commodity Index, the convention for adjusting any Pricing Date or other relevant date if it would otherwise fall on a day that is not a Trading Day. If the relevant Final Terms specify, in respect of such Pricing Date or other date, that:

- (i) **"Following"** shall apply to such Pricing Date or other date, then if the Scheduled Pricing Date or other scheduled date corresponding to such date is not a Trading Day, the Pricing Date or other date will be the first following day that is a Trading Day;
- (ii) **"Modified Following"** shall apply to such Pricing Date or other date, then if the Scheduled Pricing Date or other scheduled date corresponding to such date is not a Trading Day, the Pricing Date or other date will be the first following day that is a Trading Day, unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Trading Day;
- (iii) **"Nearest"** shall apply to such Pricing Date or other date, then if the Scheduled Pricing Date or other scheduled date corresponding to such date is not a Trading Day, the Pricing Date or other date will be (i) the first preceding day that is a Trading Day if such date falls on a day other than a Sunday or Monday and (ii) the first following day that is a Trading Day if such date falls on a Sunday or Monday;
- (iv) **"Preceding"** shall apply to such Pricing Date or other date, then if the Scheduled Pricing Date or other scheduled date corresponding to such date is not a Trading Day, the Pricing Date or other date will be the first preceding day that is a Trading Day; or
- (v) **"No Adjustment"** shall apply to such Pricing Date or other date, then if the Scheduled Pricing Date or other scheduled date corresponding to such date is not a Trading Day, the Pricing Date or other date will nonetheless be such Scheduled Pricing Date or other scheduled date.

If the relevant Final Terms does not specify an applicable Trading Day Convention, then it shall be deemed that "Modified Following" shall apply.

**"Unit"** means the unit of measure of the relevant Commodity, as specified in the relevant Commodity Reference Price or the relevant Final Terms.

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**"Valuation Date"** means each date specified as a Valuation Date in the applicable Final Terms, which, unless otherwise specified in the applicable Final Terms, shall be subject to adjustment (a) on the basis it is a Pricing Date to which the Commodity Business Day Convention (in the case of a Commodity), the Bullion Business Day Convention (in the case of Bullion) and the Trading Day Convention (in the case of a Commodity Index) applied and (b) for the purposes of determining the consequences of a Disrupted Day occurring on any such day in accordance with the Commodity Linked Conditions.

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### PROPERTY INDEX TECHNICAL ANNEX

#### ADDITIONAL TERMS AND CONDITIONS FOR PROPERTY INDEX LINKED SECURITIES

*The terms and conditions applicable to Property Index Linked Securities shall comprise (a) the General Terms and Conditions of the N&C Securities (the "**N&C Security Conditions**") and the additional Terms and Conditions set out below (the "**Property Index Linked Conditions**") or (b) the General Terms and Conditions of the Warrants (the "**Warrant Conditions**") and the Property Index Linked Conditions, in each case, together with the Terms and Conditions as set out in each other Technical Annex which is specified as applicable in the applicable Final Terms (together with, (i) the N&C Security Conditions and the Property Index Linked Conditions, or (ii) the Warrant Conditions and the Property Index Linked Conditions, as the case may be, the "**Conditions**") and, in each case subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the N&C Security Conditions or Warrant Conditions, as applicable, and the Property Index Linked Conditions, the Property Index Linked Conditions set out below shall prevail. In the event of any inconsistency between (i) the N&C Security Conditions or Warrant Conditions, as applicable, and/or the Property Index Linked Conditions and (ii) the Final Terms, the Final Terms shall prevail. References in the Property Index Linked Conditions to "**Security**" and "**Securities**" shall be deemed to be references to "**N&C Security**" and "**N&C Securities**" or "**Warrant**" and "**Warrants**" as the context admits and references to "**Securityholder**" shall be deemed to be references to "**N&C Securityholder**" or "**Warrantholder**" as the context admits.*

*References below to a numbered N&C Security Condition or Warrant Condition, as the case may be, are to such numbered section of the N&C Security Conditions or Warrant Conditions, as applicable, and references to a numbered Property Index Linked Condition are to such numbered section as set out in this Property Indices Technical Annex.*

*Defined terms used in this Technical Annex where the same term may be used in another Technical Annex (e.g. Index Level) will have the meanings given in this Technical Annex or in the section of the Final Terms relating to Property Index Linked Securities.*

#### **1. PROPERTY INDEX LINKED N&C SECURITIES**

This Property Index Linked Condition 1 will only apply to N&C Securities.

##### **(a) Property Index Linked Interest N&C Securities**

Unless previously redeemed or purchased and cancelled in accordance with the N&C Security Conditions or as specified in the applicable Final Terms and subject to these Property Index Linked Conditions, each Property Index Linked Interest N&C Security will bear interest in the manner specified in the applicable Final Terms and the N&C Security Conditions.

##### **(b) Property Index Linked Redemption N&C Securities**

Unless previously redeemed or purchased and cancelled, each N&C Security will be redeemed by the Issuer by payment of the Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms on the Maturity Date (subject as provided below).

#### **2. PROPERTY INDEX DELAY AND DISRUPTION PROVISIONS**

##### **(a) Rebasing of the Property Index**

If the Calculation Agent determines that a Property Index has been or will be Rebased at any time (the Property Index as so Rebased, the "**Rebased Index**"), the Rebased Index will be used for the purposes of determining the level of the Property Index from the date of such Rebased, provided however that the Calculation Agent will adjust the terms of the Securities so that the use of the Rebased Index reflects what would have been the performance of the Property Index had the Rebased not occurred save that any such Rebased will not affect any prior payments or valuations (if any) under the Securities.

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### (b) **Error in Publication**

If the Calculation Agent determines that an Error in Publication has occurred with respect to the Property Index, the Calculation Agent may (a) use the corrected level of the Property Index to make any relevant calculations and/or (b) make any necessary adjustments to the relevant Index Level and such other terms of the Securities as it in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner) determines to be appropriate to account for such Error in Publication.

For these purposes:

An "**Error in Publication**" will occur if the Property Index Sponsor announces that an error has occurred with respect to the Index Level as published on any Publication Date; the Index Level for such Publication Date is corrected to remedy such error; and the correction is published by the Property Index Sponsor at any time prior to the Maturity Date, in the case of N&C Securities, or the Settlement Date, in the case of Warrants. An Error in Publication will not include a routine revision in the level of the Property Index in a regularly scheduled republication of the Property Index, such a scheduled republication not being relevant for the purposes of these Property Index Linked Conditions.

### (c) **Delay in Publication**

If any relevant Index Level has not been announced by the second Business Day preceding the date on which any amount calculated in whole or in part by reference to such Index Level falls to be due and payable pursuant to the Securities (a "**Property Index Linked Payment Date**") then such amount will not be payable on such Property Index Linked Payment Date and the following will apply:

- (i) if a Cure Period is specified as Applicable in the applicable Final Terms, then:
  - (1) if the Property Index Sponsor publishes the relevant Index Level within the Cure Period, then such Property Index Linked Payment Date will be deferred until the second Business Day following the date of publication of the relevant Index Level and all relevant amounts will be calculated by reference to such Index Level;
  - (2) if the Property Index Sponsor publishes a Provisional Index Level within the Cure Period, then such Property Index Linked Payment Date will be deferred until the second Business Day following the end of the Cure Period and (unless (i) above then applies) such Provisional Index Level of the Property Index will apply for the purposes of the Securities and all relevant amounts will be calculated by reference to such Provisional Index Level; or
  - (3) if the Property Index Sponsor fails to publish either the Index Level or a Provisional Index Level prior to the end of the Cure Period, a Delayed Publication Disruption Event will occur and Property Index Linked Condition 2(e) below will apply; or
- (ii) if Cure Period is specified as Not Applicable in the applicable Final Terms, then:
  - (1) if the Property Index Sponsor publishes a Provisional Index Level prior to the second Business Day preceding the Property Index Linked Payment Date, such Provisional Index Level will apply for the purposes of the Securities and all relevant amounts will be calculated by reference to such Provisional Index Level; or
  - (2) if the Property Index Sponsor fails to publish a Provisional Index Level prior to the second Business Day preceding the Property Index Linked Payment Date, a Delayed Publication Disruption Event will occur and Property Index Linked Condition 2(e) below will apply.

No additional interest will accrue as a result of a deferral of any Property Index Linked Payment Date.

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The Calculation Agent will give notice to Securityholders as soon as practicable in accordance with N&C Security Condition 14 (Notices) (in the case of N&C Securities) or Warrant Condition 11 (Notices) (in the case of Warrants) of (i) a delay in publication pursuant to this Property Index Linked Condition 2(c) and (ii) any amounts that are payable to such Securityholders as a result of the delayed publication of the Index Level pursuant to Property Index Linked Condition 2(c)(i) or (ii) above.

For these purposes:

"**Cure Period**" means, in respect of any Property Index Linked Payment Date, the period, if any, specified as such in the applicable Final Terms.

### (d) **Methodology Adjustment and Index Discontinuance**

If the Property Index Sponsor announces that it has changed the methodology in calculating a Property Index and:

- (a) nonetheless continues the publication of an index based on the original methodology (such Property Index, a "**Replacement Property Index**") such Replacement Property Index will apply in lieu of the original Property Index in relation to the Securities; or
- (b) discontinues publication of the Property Index based on the original methodology (an "**Index Discontinuance**"), Property Index Linked Condition 2(e) below will apply.

### (e) **Index Disruption Procedure**

Following the occurrence of an Index Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the Securities will continue or be cancelled.

If the Issuer determines that the Securities will continue, the Calculation Agent may make such adjustment to the terms of the Securities which it considers, in its sole and absolute discretion (acting in good faith and in a reasonable manner), to be appropriate in order to preserve for the Securityholders the economic value of the Securities. Without limitation this may include (i) selecting a replacement Property Index (such Property Index, a "**Replacement Property Index**") and, following the selection of such, determining the appropriate level for such Replacement Property Index and the date on which such Replacement Property Index will take effect on the Securities or (ii) adjusting any method for determination or calculating payments under the Securities. If the Issuer determines that the Securities will be cancelled it will redeem (in the case of N&C Securities) or cancel (in the case of Warrants) the Securities by giving notice to the Securityholders in accordance with N&C Security Condition 14 (Notices) (in the case of N&C Securities) or Warrant Condition 11 (Notices) (in the case of Warrants). If the Securities are so redeemed or cancelled, as the case may be, the Issuer will pay each Securityholder the Early Redemption Amount (in the case of N&C Securities) or the Early Cancellation Amount (in the case of Warrants) in respect of each Security held by such Securityholder. Payments will be made in such manner as will be notified to the Securityholders in accordance with N&C Security Condition 14 (Notices) (in the case of N&C Securities) or Warrant Condition 11 (Notices) (in the case of Warrants).

## 3. **NOTICE**

In the event that the provisions of Property Index Linked Conditions 2(a), 2(b), 2(c), 2(d) and/or 2(e) above apply in respect of the Securities, the Issuer will give notice to Securityholders as soon as practicable in accordance with N&C Security Condition 14 (Notices) (in the case of N&C Securities) or Warrant Condition 11 (Notices) (in the case of Warrants) of the occurrence of the relevant event and the action proposed in relation thereto.

## 4. **ADDITIONAL DISRUPTION EVENT**

"**Additional Disruption Event**" means any of Change in Law, Hedging Disruption, Increased Cost of Hedging, and/or any other event specified in the applicable Final Terms as such.

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- (a) If an Additional Disruption Event occurs, the Issuer in its sole and absolute discretion may either:
- (i) require the Calculation Agent to determine in its sole and absolute discretion (or, in the case of Italian Securities, in good faith and in a reasonable manner) the appropriate adjustment, if any, to be made to any of the terms of the Securities to account for the Additional Disruption Event and determine the effective date of that adjustment;
  - (ii) in the case of N&C Securities, redeem the N&C Securities by giving notice to the Securityholders in accordance with N&C Security Condition 14 (Notices). If the N&C Securities are so redeemed the Issuer will pay each N&C Securityholder the Early Redemption Amount in respect of each N&C Security held by him. Payments will be made in such manner as will be notified to the N&C Securityholders in accordance with N&C Security Condition 14 (Notices); or
  - (iii) in the case of Warrants, cancel the Warrants by giving notice to the Warrantholders in accordance with Warrant Condition 11 (Notices). If the Warrants are so cancelled the Issuer will pay each Warrantholder the Early Cancellation Amount in respect of each Warrant held by him. Payments will be made in such manner as will be notified to the Warrantholders in accordance with Warrant Condition 11 (Notices).
- (b) Upon the occurrence of an Additional Disruption Event, the Issuer will give notice as soon as practicable to the Securityholders in accordance with N&C Security Condition 14 (Notices) (in the case of N&C Securities) or Warrant Condition 11 (Notices) (in the case of Warrants) stating the occurrence of the Additional Disruption Event (including giving details thereof) and the action proposed to be taken in relation thereto.

### **5. INDEX DISCLAIMER**

The Securities are not sponsored, endorsed, sold or promoted by any Property Index or any Property Index Sponsor and no Property Index Sponsor makes any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Property Index and/or the levels at which the Property Index stands at any particular time on any particular date or otherwise. No Property Index or Property Index Sponsor will be liable (whether in negligence or otherwise) to any person for any error in the Property Index and the Property Index Sponsor is under no obligation to advise any person of any error therein. No Property Index Sponsor is making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with the Securities. The Issuer (or, if applicable, the Guarantor) will have no liability to the Securityholders for any act or failure to act by the Property Index Sponsor in connection with the calculation, adjustment or maintenance of the Property Index. Except as disclosed prior to the Issue Date specified in the applicable Final Terms, neither the Issuer (or, if applicable, the Guarantor) nor its Affiliates has any affiliation with or control over the Property Index or Property Index Sponsor or any control over the computation, composition or dissemination of the Property Index. Although the Calculation Agent will obtain information concerning any Property Index from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer (or, if applicable, the Guarantor), its Affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Property Index.

### **6. INTERPRETATION**

The following expressions have the meanings set out below:

**"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 (i) it has become illegal for it or any of its Affiliates or any Hedging Party to hold, acquire or dispose of any relevant hedge position(s) relating to a Property Index, or (ii) the Hedging Party will incur a materially increased cost in performing its obligations in relation to the Securities (including, without limitation, due to any

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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 or any Hedging Party), or (iii) the performance of the Guarantor under the Guarantee has become unlawful;

**"Data Pool"** means the pool of properties underlying a Property Index;

**"Delayed Publication Disruption Event"** means either of the events described in Property Index Linked Condition 2(c)(i)(3) and 2(c)(ii)(2);

**"Hedging Disruption"** means that the Hedging Party 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 property index price risk or any other relevant price risk including but not limited to the currency risk of the Issuer issuing and performing its obligations with respect to the Securities, or (B) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s);

**"Hedging Party"** means the Issuer or any Affiliate(s) of the Issuer or any entity (or entities) acting on behalf of the Issuer in any underlying or hedging transactions relating to a Property Index in respect of the Issuer's obligations under the Securities;

**"Increased Cost of Hedging"** means that the Hedging Party would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, property index price risk, foreign exchange risk and interest rate risk) of the Issuer issuing and performing its obligations with respect to the Securities, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates will not be deemed an Increased Cost of Hedging;

**"Index Disruption Event"** means any of the following events:

- (a) a Delayed Publication Disruption Event; and/or
- (b) an Index Discontinuance;

**"Index Level"** means, with respect to a period or a date, the final level of the relevant Property Index for such period or date, as the case may be, as published by the Property Index Sponsor (or otherwise determined as set out in the applicable Final Terms);

**"Publication Date"** means, in respect of a Property Index, each date on which such Property Index is published by the Property Index Sponsor;

**"Property Index"** means (i) each index specified as such in the applicable Final Terms, or (ii) any Replacement Property Index;

**"Property Index Sponsor"** means the entity that publishes the level of the relevant Property Index as specified in the applicable Final Terms;

**"Provisional Index Level"** means, with respect to a period or a date, any provisional level of the relevant Property Index for such period or date, as the case may be, as published and howsoever defined by the Property Index Sponsor (or otherwise determined as set out in the applicable Final Terms);

**"Rebasing"** means the revaluation of a Property Index by the Property Index Sponsor by the application of a new Reference Price, without amendment to the formula for or the method of calculating the Property Index, and **"Rebased"** will be construed accordingly;



*Property Index Technical Annex*

**"Reference Price"** means the historic value of the Data Pool used by the Property Index Sponsor as the benchmark for a Property Index; and

**"Replacement Property Index"** means any Property Index specified as such pursuant to Property Index Linked Conditions 2(d) and 2(e) above.

**ITALIAN SECURITIES TECHNICAL ANNEX**

**ADDITIONAL TERMS AND CONDITIONS FOR ITALIAN SECURITIES**

*The terms and conditions applicable to Italian Securities shall comprise the General Terms and Conditions of the N&C Securities (the "N&C Security Conditions") and the additional Terms and Conditions set out below (the "Italian Securities Conditions") together with any Terms and Conditions as set out in each other Technical Annex which is specified as applicable in the applicable Final Terms (together with the N&C Security Conditions and the Italian Securities Conditions, the "Conditions") and, in each case subject to completion and/or amendment in the applicable Final Terms. In the event of any inconsistency between the N&C Security Conditions and the Italian Securities Conditions, the Italian Securities Conditions shall prevail. In the event of any inconsistency between (i) the N&C Security Conditions and/or the Italian Securities Conditions and (ii) the Final Terms, the Final Terms shall prevail. References in the Italian Securities Conditions to "Security" and "Securities" shall be deemed to be references to "N&C Security" and "N&C Securities" as the context admits and references to "Securityholder" shall be deemed to be references to "N&C Securityholder" as the context admits.*

*References below to a numbered N&C Security Condition are to such numbered section of the N&C Security Conditions and references to a numbered Italian Securities Condition are to such numbered section as set out in this Technical Annex.*

**1. Italian SeDeX Securities as "certificates"**

Italian Securities will be deemed to be "certificates" for the purposes of Article (2) letter (g) of CONSOB Regulation No. 11971 of 14 May 1999, as amended. Solely for the purposes thereof and notwithstanding anything to the contrary in the Conditions or in the Bearer Global N&C Securities:

- (a) Italian SeDeX Securities shall be deemed to be automatically exercised at the Renoucement Notice Cut-off Time;
- (b) for so long as the Italian SeDeX Securities are listed on the Italian Stock Exchange, the Italian SeDeX Securities will be deemed to expire at the Renoucement Notice Cut-off Time (*Data di Scadenza*) and trading in the Italian SeDeX Securities on the Italian Stock Exchange will cease at such time; and
- (c) references in the Conditions and the Bearer Global N&C Securities to "**interest**", "**redemption**" and "**redeem**" shall be construed as references to "**premium**", "**termination**" and "**terminate**".

**2. Renoucement Provisions**

For so long as the Italian SeDeX Securities are admitted to listing on Borsa Italiana S.p.A. and to trading on the SeDeX, then at any time prior to the Renoucement Notice Cut-Off Time, any N&C Securityholder may renounce automatic exercise of any N&C Securities held by such N&C Securityholder in accordance with the rules of the Italian Stock Exchange applicable from time to time by giving a duly completed Renoucement Notice to the relevant clearing system with a copy to the Issuer and the Paying Agent. Once delivered a Renoucement Notice shall be irrevocable and the relevant N&C Securityholder may not transfer the N&C Securities the subject of the Renoucement Notice. If a duly completed Renoucement Notice is validly delivered prior to the Renoucement Notice Cut-off Time, the relevant N&C Securityholder will not be entitled to receive any amounts payable by the Issuer in respect of relevant N&C Securities and the Issuer shall have no further liability in respect of such amounts.

Any determination as to whether a Renoucement Notice is duly completed and in proper form shall be made by the relevant clearing system (in consultation with the Issuer and Paying Agent) and shall be conclusive and binding on the Issuer, the Paying Agent and the relevant N&C Securityholder.

Subject as follows, any Renoucement Notice determined to be incomplete or not in proper form shall be null and void. If such Renoucement Notice is subsequently corrected to the satisfaction of the relevant clearing system in consultation with the Issuer and Paying Agent, it shall be deemed to be a new Renoucement Notice submitted at the time such correction was delivered to the relevant clearing system, with a copy to the Issuer and the Paying Agent.

## *Italian Securities Technical Annex*

### **3. Dual Currency Provisions**

If the Settlement Currency of the N&C Securities is a different currency to the currency of the Calculation Amount, then any Settlement Amount payable in respect of the N&C Securities shall be converted into the Settlement Currency by reference to the applicable Exchange Rate determined on the Business Day following the date on which such Settlement Amount is determined.

### **4. Settlement**

Italian Securities may be cleared through the bridge account of Monte Titoli S.p.A.

### **5. Amendments to the Conditions**

For so long as the Italian Securities are listed on the regulated market organized and managed by Borsa Italiana S.p.A. and the rules of Borsa Italiana S.p.A. as interpreted by it so require, for the purpose of the Italian Securities, the Issuer may make, without the Securityholders' consent, any amendments to the contractual provisions set out in or referred to in the N&C Security Conditions or in the Final Terms, which are deemed to be necessary or appropriate in order to remove ambiguities or inaccuracies or correct formal mistakes, provided that such amendments are not detrimental to Securityholders' interest. The contractual provisions set out in or referred to in the N&C Security Conditions or in the Final Terms may also be amended by the Issuer, without the Securityholders' consent, where so required by the applicable laws and regulations, including the regulations of Borsa Italiana S.p.A. The Issuer will notify the Securityholders of such amendments by means of a notice published on its website and/or any other method provided for the securities listed on SeDeX.

### **6. Notices**

In addition to the provisions of N&C Security Condition 14 (Notices), for so long as the Italian Securities are admitted to listing on the Italian Stock Exchange, any notice to the Securityholders relating to the Italian Securities shall also be notified to Borsa Italiana.

### **7. Definitions**

**"Italian MOT Securities"** means Italian Securities which are listed and admitted to trading on the MOT.

**"Italian Securities"** means N&C Securities specified in the applicable Final Terms to be Italian Securities and references in the Conditions to "N&C Securities" shall be deemed to include reference to "Italian Securities" unless otherwise specified or the context otherwise requires.

**"Italian SeDeX Securities"** means Italian Securities which are listed and admitted to trading on the "Electronic Securities Derivatives Market" (the "**SeDeX**"), organised and managed by Borsa Italiana S.p.A.

**"Italian Stock Exchange"** means Borsa Italiana S.p.A.

**"MOT"** means the "Electronic Bond Market", organised and managed by Borsa Italiana S.p.A.

**"Renouncement Notice"** means a notice to be completed in accordance with the rules of the Italian Stock Exchange, as amended, supplemented or modified from time to time, and delivered to the relevant clearing systems, which allows the relevant N&C Securityholder to renounce automatic exercise of the Italian SeDex Securities.

**"Renouncement Notice Cut-off Time"** means, in respect of any Series of N&C Securities, the time on a designated date, specified as the Renouncement Notice Cut-off Time in the applicable Final Terms, which shall be the latest time at which an N&C Securityholder can deliver a duly completed Renouncement Notice in accordance with Italian Securities Condition 2 above.

## *Form of Final Terms for N&C Securities*

### FORM OF FINAL TERMS FOR N&C SECURITIES

#### APPLICABLE FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of N&C Securities issued under the Programme pursuant to this Prospectus.*

*[In these Final Terms, all sections or prompts marked with "\$" are not applicable for any Tranche of N&C Securities issued under the Programme with a denomination of at least €50,000/€100,000 (or its equivalent in another currency) pursuant to this Prospectus and should be deleted or marked "Not Applicable" as necessary. All sections marked with "‡" are not applicable for any Tranche of N&C Securities issued under the Programme with a denomination of less than €50,000/€100,000 (or its equivalent in another currency) pursuant to this Prospectus and should be deleted or marked "Not Applicable" as necessary]*

#### PLEASE CAREFULLY READ THE RISK FACTORS IN THE PROSPECTUS

**EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN FINANCIAL AND LEGAL ADVISORS ABOUT THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE N&C SECURITIES AND THE SUITABILITY OF AN INVESTMENT IN THE N&C SECURITIES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES**

[Date]

**Abbey National Treasury Services plc**

*Issue of [Aggregate Nominal Amount/Number of Units of Tranche] [Title of N&C Securities]  
(the "N&C Securities")*

**Guaranteed by Santander UK plc**

under the  
Note, Certificate and Warrant Programme  
(the "**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 N&C Securities in any Member States of the European Economic Area (each, a "**Relevant Member State**") which has implemented the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") 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 N&C Securities. Accordingly, any person making or intending to make an offer of the N&C Securities 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 47 of Part A below, provided such person is one of the persons mentioned in Paragraph 47 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 N&C Securities in any other circumstances.<sup>1</sup>

[The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of N&C Securities in any Member State of the European Economic Area (each, a "**Relevant Member State**") which has implemented the Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") will be made pursuant to an exemption under the Prospectus

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<sup>1</sup> Consider including this legend where a non-exempt offer of N&C Securities is anticipated.

## *Form of Final Terms for N&C Securities*

Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the N&C Securities. Accordingly, any person making or intending to make an offer in that Relevant Member State of the N&C Securities 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 relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of N&C Securities in any other circumstances.]<sup>2]</sup>

### **PART A – CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions of the N&C Securities (the "**N&C Security Conditions**" and, together with the applicable Technical Annex(es), the "**Conditions**") set forth in the Prospectus dated 5 April 2012 [and the supplement[s] to it dated [date(s)]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the N&C Securities 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, the Guarantor and the offer of the N&C Securities is only available on the basis of the combination of these Final Terms and the Prospectus [as supplemented]. The Prospectus [and the supplement[s] to it] [is/are] available for viewing [during normal business hours at the specified office of Citibank, N.A., London Branch acting as Principal Paying Agent and copies may be obtained from the registered office of the Issuer and the Guarantor]. In the event of any inconsistency between the Conditions and the Final Terms, these Final Terms prevail.

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

[Terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions of the N&C Securities (the "**N&C Security Conditions**" and, together with the applicable Technical Annex(es) the "**Conditions**") set forth in the Prospectus dated [original date] which are incorporated by reference in the Prospectus dated [current date] and are attached hereto. This document constitutes the Final Terms of the N&C Securities described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Prospectus dated [current date] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer, the Guarantor and the offer of the N&C Securities is only available on the basis of the combination of these Final Terms and the Prospectus dated [current date]. Copies of such Prospectus are available for viewing [during normal business hours at the registered office of the Issuer and the Guarantor].]<sup>3]</sup>

[[Terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions of the N&C Securities (the "**N&C Security Conditions**" and, together with the applicable Technical Annex(es), the "**Conditions**") set forth in the listing particulars dated 5 April 2012 [and the supplement[s] to it dated [date(s)]] which [together] constitute[s] a listing particulars ("**Listing Particulars**") for the purposes of listing on the Global Exchange Market. This document constitutes the pricing supplement ("**Pricing Supplement**") of the N&C Securities described herein for the purposes of listing on the Global Exchange Market and must be read in conjunction with the Listing Particulars [as supplemented]. Full information on the Issuer, the Guarantor and the offer of the N&C Securities is only available on the basis of the combination of this Pricing Supplement and the Listing Particulars [as supplemented]. The Listing Particulars [and the supplement[s] to it] [is/are] available for viewing [during normal business hours at the specified office of Citibank, N.A., London Branch acting as Principal Paying Agent and copies may be obtained from the registered office of the Issuer and the Guarantor]. In the event of any inconsistency between the Conditions and the Pricing Supplement, the Pricing Supplement will prevail.]

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

[Terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions of the N&C Securities (the "**N&C Security Conditions**" and, together with the applicable Technical Annex(es) the "**Conditions**") set forth in the listing particulars dated [original date] which are incorporated by reference in the listing particulars dated [current date] and are attached hereto. This document constitutes the pricing supplement ("**Pricing Supplement**") of the N&C Securities described herein

<sup>2</sup> Consider including this legend where only an exempt offer of N&C Securities is anticipated.

<sup>3</sup> Insert in the case of an issue of N&C Securities other than in the case of N&C Securities admitted to the Irish Stock Exchange's Global Exchange Market.

## *Form of Final Terms for N&C Securities*

for the purposes of listing on the Global Exchange Market and must be read in conjunction with the listing particulars dated [*current date*] which [together] constitute[s] the listing particulars ("**Listing Particulars**") for the purposes of listing on the Global Exchange Market. Full information on the Issuer, the Guarantor and the offer of the N&C Securities is only available on the basis of the combination of Pricing Supplement and the Listing Particulars dated [*current date*]. Copies of such Listing Particulars are available for viewing [during normal business hours at the registered office of the Issuer and the Guarantor].<sup>4</sup>

[The N&C Securities [and the Entitlement]<sup>5</sup> have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or under any state securities laws, and the N&C Securities may not be offered, sold, transferred, pledged, delivered, redeemed, directly or indirectly, at any time within the United States or to, or for the account or benefit of, or by, any U.S. person (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. Trading in the N&C Securities has not been approved by the U.S. Commodity Futures Trading Commission (the "**CFTC**") under the U.S. Commodity Exchange Act, as amended (the "**CEA**").]<sup>6</sup>

[The N&C Securities [and the Entitlement]<sup>5</sup> have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or under any state securities laws, and the N&C Securities may not be offered, sold, transferred, pledged, delivered, redeemed, directly or indirectly, at any time within the United States or to, or for the account or benefit of, or by, any U.S. person. Furthermore, trading in the N&C Securities has not been approved by the U.S. Commodity Futures Trading Commission (the "**CFTC**") pursuant to the U.S. Commodity Exchange Act, as amended (the "**CEA**"), and no U.S. person may at any time trade or maintain a position in the N&C Securities. For a description of the restrictions on offers and sales of N&C Securities, see [Part C attached hereto]<sup>7</sup> and "*Notice to Purchasers and N&C Holders of Securities and Transfer Restrictions*" in the Base Prospectus.

For the purposes of these Final Terms, "U.S. person" includes any "U.S. person" or person that is not a "non-United States person" as either such term may be defined in Regulation S or in regulations adopted under the CEA.<sup>8</sup>

*[Include whichever of the following apply or specify as "Not applicable" or "N/A". Note that the numbering should remain as set out below, even if "Not applicable" or "N/A" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing any Final Terms or 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.]*

*[No person has been authorised to give any information or make any representation not contained in or not consistent with these Final Terms, or any other information supplied in connection with the N&C Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any Dealer.]*

*[By investing in the N&C Securities each investor is deemed to represent that:*

- (a) *Non-Reliance. It is acting for its own account, and it has made its own independent decisions to invest in the N&C Securities and as to whether the investment in the N&C Securities is appropriate or proper for it based upon its own judgement and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the Issuer, the Guarantor or any Dealer as investment advice or as a recommendation to invest in the N&C Securities, it being understood that information and explanations related to the terms and conditions of the N&C Securities shall not be considered to be investment advice or a recommendation to invest in the N&C Securities. No communication (written or oral) received from the Issuer, the Guarantor or any Dealer shall be deemed to be an assurance or guarantee as to the expected results of the investment in the N&C Securities.*

<sup>4</sup> Insert in the case of an issue of N&C Securities to be admitted to the Irish Stock Exchange's Global Exchange Market.

<sup>5</sup> Include in the case of Physical Delivery.

<sup>6</sup> Include this paragraph for any immobilised bearer N&C Securities (whether offered and sold pursuant to Regulation S or Rule 144A, or both) that have not been determined to be permanently prohibited from being offered, sold, resold, transferred, pledged or delivered in the United States.

<sup>7</sup> Include for N&C Securities other than Permanently Restricted N&C Securities that have been determined to be permanently prohibited from being offered, sold, resold, transferred, pledged or delivered in the United States or to a U.S. person.

<sup>8</sup> Include for Permanently Restricted N&C Securities or N&C Securities that have otherwise been determined to be permanently prohibited from being offered, sold, resold, transferred, pledged or delivered in the United States or to a U.S. person.

**Form of Final Terms for N&C Securities**

(b) *Assessment and Understanding. It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts the terms and conditions and the risks of the investment in the N&C Securities. It is also capable of assuming, and assumes, the risks of the investment in the N&C Securities.*

(c) *Status of Parties. None of the Issuer, the Guarantor and any Dealer is acting as fiduciary for or adviser to it in respect of the investment in the N&C Securities.]*

- |           |      |  |  |
|-----------|------|--|--|
| <b>1.</b> | 1.1  | Issuer:  | Abbey National Treasury Services plc   |
|           | 1.2  | Guarantor:   | Santander UK plc   |
| <b>2.</b> | 2.1  | Type of N&C Security:                                | [Note]/[Certificate]   |
|           | 2.2  | Series Number:                                       | [ ]  |
|           | 2.3  | Tranche Number:                                      | [ ]  |
|           |      |  | <i>(If fungible with an existing Series, insert details of that Series, including the date on which the N&amp;C Securities become fungible)</i>                          |
|           | 2.4  | Trading Method:                                      | [Nominal] / [Unit]   |
|           | 2.5  | Applicable Technical Annex(es):                      | [Not Applicable] / [Commodity] / [Currency] / [Currency (adjustment only)] / [Credit] / [Equity] / [Equity Index] / [Funds] / [Inflation] / [Property] / [specify other] |
|           |      |  | <i>(N.B. more than one Technical Annex may apply)</i>  |
| <b>3.</b> | 3.1  | Specified Currency or Currencies:                    | [ ]  |
|           | 3.2  | Currency Adjustment:                                 | [Applicable] / [Not Applicable]  |
|           |      |  | <i>[If "Applicable" insert: Currency Linked Conditions 4, 5 and 6 in the Currency Linked Technical Annex will apply to the N&amp;C Securities]</i>                       |
|           |      |  | <i>(Where "Applicable", the relevant prompts in Paragraph 26 below should be completed)</i>  |
| <b>4.</b> |      | [Aggregate Nominal Amount] / [Aggregate Issue Size]: |  |
|           | 4.1  | Series:  | [ ] <sup>9</sup>   |
|           | 4.2  | Tranche:   | [ ] <sup>10</sup>  |
|           | [4.3 | Nominal Amount per Unit:                             | For calculation purposes only, each Unit shall be deemed to have a nominal amount of [ ].  |
|           |      |  | <i>(If N&amp;C Securities are not traded by unit, delete this item)]<sup>11</sup></i>  |

<sup>9</sup> For N&C Securities issued by Unit, "Aggregate Issue Size" should be specified and expressed as a number of Units.

<sup>10</sup> For N&C Securities issued by Unit, "Aggregate Issue Size" should be specified and expressed as a number of Units.

<sup>11</sup> For N&C Securities issued by Unit only.

**Form of Final Terms for N&C Securities**

5. [5.1] [Issue Price] / [Unit Issue Price] for Tranche:<sup>12</sup> [[ ] per cent. of the Aggregate Nominal Amount] / [[ ] *[Insert currency]*] per Unit (the "**Issue Price**") [plus accrued interest from and including [insert date] to but excluding the Issue Date (which is equal to [ ] days' accrued interest (*in the case of fungible issues, if applicable*))]

The Issue Price specified [in/at [paragraph]/above] may be more than the market value of the Securities as at the Issue Date, and the price, if any, at which the Dealer or any other person is willing to purchase the Securities in secondary market transactions is likely to be lower than the Issue Price. In particular, the Issue Price may take into account amounts with respect to commissions relating to the issue and sale of the Securities as well as amounts relating to the hedging of the Issuer's obligations under the Securities and secondary market prices may exclude such amounts.

If any commissions or fees relating to the issue and sale of the Securities have been paid or are payable by the [Dealer/Issuer *[refer to Issuer in the case of public offers in Italy]*] to an intermediary, then such intermediary may be obliged to fully disclose to its clients the existence, nature and amount of any such commissions or fees (including, if applicable, by way of discount) as required in accordance with laws and regulations applicable to such intermediary, including any legislation, regulation and/or rule implementing the Markets in Financial Instruments Directive (Directive 2004/39/EC), or as otherwise may apply in any non-EEA jurisdictions.

Investors in the Securities intending to invest in Securities through an intermediary (including by way of introducing broker) should request details of any such commission or fee payment from such intermediary before making any purchase thereof.

- 5.2 [Unit Value on Issue: *[[Insert currency] per Unit]*]

**Investors should note that the value of a Unit in the secondary market or on redemption may be less than the Unit Value on Issue**

*(If N&C Securities are not traded by unit, delete this item)*

- [5.3 Aggregate Proceeds Amount: [ ]

*(If N&C Securities are not traded by unit, delete this item)*<sup>13</sup>

6. [6.1 Specified Denominations: [ ]

*[(N.B. N&C Securities issued after the implementation of the*

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<sup>12</sup> Note that for N&C Securities issued by nominal amount the "Issue Price" is the gross amount received by the Issuer in respect of the N&C Securities being issued and should not be confused with "Offer Price" which may be a different amount depending upon the context in which the expression is used (for example, see Part B paragraph 10).

<sup>13</sup> The Aggregate Proceeds Amount should be an amount equal to the Aggregate Issue Size multiplied by the Unit Issue Price.



## ***Form of Final Terms for N&C Securities***

*2010 PD Amending Directive in a Member State must have a minimum denomination of €100,000 (or equivalent) in order to benefit from the wholesale exemption set out in Article 3.2(d) of the Prospectus Directive in that Member State.)*

*[Where Bearer N&C Securities and multiple denominations above €50,000 or its equivalent in another currency are being used, the following sample wording should be followed:*

*[[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No N&C Securities in definitive form will be issued with a denomination exceeding [€99,000].]*<sup>14</sup>

*[[Where Bearer N&C Securities and multiple denominations above €100,000 or its equivalent in another currency are being used, the following sample wording should be followed:*

*[[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No N&C Securities in definitive form will be issued with a denomination exceeding [€199,000].]*

*(N.B. If an issue of N&C Securities is (i) NOT admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €50,000/€100,000 (following implementation in a relevant Member State) minimum denomination is not required.)*

*[In respect of Rule 144A Global N&C Securities, this means the minimum integral amount in which transfers can be made and in the case of any transaction in reliance on Rule 144A, shall be at least USD100,000 (or its currency equivalent)]*

*[In respect of Equity Linked N&C Securities which are Physically Settled N&C Securities and Credit Linked N&C Securities only, a single denomination must be used]]]*<sup>15</sup>

*(If N&C Securities are not traded by nominal, delete this item)*

6.2 [Minimum Tradable Size: [ ] Units and in multiples of [ ] Unit[s] (the "**Multiple Tradeable Size**") in excess thereof.]<sup>16</sup>

*(If N&C Securities are not traded by unit, delete this item)*

6.3 Calculation Amount per N&C Security: [ ]

*(If only one Specified Denomination, insert the Specified Denomination.*

<sup>14</sup> Not Applicable in the case of Definitive Registered N&C Securities.

<sup>15</sup> Insert for N&C Securities issued by nominal amount only.

<sup>16</sup> Insert for N&C Securities issued by Unit only.

## ***Form of Final Terms for N&C Securities***

*If more than one Specified Denomination, insert the highest common factor. N.B. There must be a common factor in the case of two or more Specified Denominations.*

*Note that a Calculation Amount of less than 1,000 units of the relevant currency may result in practical difficulties for paying agents and/or ICSDs who should be consulted if such an amount is proposed.)*

7. 7.1 Issue Date: [specify date]
- 7.2 Interest Commencement Date (if different from the Issue Date): [specify date ] [Not Applicable]

*(NB: An Interest Commencement Date will not be relevant for certain type of N&C Securities such as a Zero Coupon N&C Security)*

8. Type of N&C Securities:
- [Fixed Rate N&C Securities]
  - [Floating Rate N&C Securities]
  - [Zero Coupon N&C Securities]
  - [Equity Linked N&C Securities]
  - [Equity Index Linked N&C Securities]
  - [Dual Currency N&C Securities]
  - [Inflation Index Linked N&C Securities]
  - [Commodity Linked N&C Securities]
  - [Currency Linked N&C Securities]
  - [Fund Linked N&C Securities]
  - [Property Index Linked N&C Securities]
  - [Credit Linked N&C Securities]
  - [Other (*specify*)]
- (Specify all N&C Security types which apply)*

9. Maturity Date:
- [Fixed Rate N&C Security/any other N&C Security other than a Floating Rate N&C Security – [specify date]]
- [Floating Rate N&C Security — The Interest Payment Date falling in or nearest to [specify month and year/specify other]]
- [For Credit Linked N&C Securities, if applicable insert: [ ] (the "**Scheduled Maturity Date**"), subject to the provisions of the Credit Technical Annex and these Final Terms]
- [For Fund Linked N&C Securities, if applicable, insert: [ ] (the "**Scheduled Maturity Date**"), subject to the provisions of the Funds Technical Annex and these Final Terms]
- [For Currency Linked N&C Securities, if applicable, insert: [ ] (the "**Scheduled Maturity Date**"), subject to the provisions of the Currency Technical Annex and these Final Terms]
- [For Inflation Index Linked N&C Securities, if applicable,

## *Form of Final Terms for N&C Securities*

insert: [ ] (the "**Scheduled Maturity Date**"), subject to the provisions of the Inflation Technical Annex and these Final Terms]

[For Commodity Linked N&C Securities, if applicable, insert: [ ] (the "**Scheduled Maturity Date**"), subject to the provisions of the Commodity Technical Annex and these Final Terms]

For Property Index Linked N&C Securities, if applicable, insert: [ ] (the "**Scheduled Maturity Date**"), subject to the provisions of the Property Technical Annex and these Final Terms]

[For Italian Securities, if applicable, insert: [*specify date equal to Renouncement notice Cut-Off date*] (the "**Data di Scadenza**")]

10. Interest Basis:
- [ ] per cent. Fixed Rate N&C Security]
  - [[LIBOR/EURIBOR]+/-[ ] per cent. Floating Rate N&C Security]
  - [Zero Coupon]
  - [Equity Index Linked Interest]
  - [Equity Linked Interest]
  - [Dual Currency Interest]
  - [Inflation Index Linked Interest]
  - [Commodity Linked Interest]
  - [Currency Linked Interest]
  - [Fund Linked Interest]
  - [Property Index Linked Interest]
  - [Non-interest bearing]
  - [*specify other*]
  - (further particulars specified below)
11. Redemption / Payment Basis:
- [Redemption at par]
  - [Equity Index Linked Redemption]
  - [Equity Linked Redemption]
  - [Dual Currency Redemption]
  - [Inflation Index Linked Redemption]
  - [Commodity Linked Redemption]
  - [Currency Linked Redemption]
  - [Fund Linked Redemption]
  - [Property Index Linked Redemption]
  - [Credit Linked Redemption]
  - [Partly Paid]
  - [Instalment]
  - [*specify other*]
  - (further particulars specified below)

*(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value or Unit Value on Issue the N&C Securities will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*

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12. Change of Interest Basis or Redemption/ Payment Basis: [Applicable] / [Not Applicable]  
*[Specify details of any provision for change of N&C Securities into another Interest Basis or Redemption/Payment Basis]*
13. Put/Call Options: [Not Applicable] / [Investor Put] / [Issuer Call]  
[(further particulars specified below)]
14. 14.1 Status of N&C Securities: Senior  
14.2 Status of Guarantee: Senior
15. Method of Distribution: [Syndicated] / [Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

16. **Fixed Rate N&C Security Provisions** [Applicable] / [Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- 16.1 Rate(s) of Interest: [ ] per cent. per annum [payable [annually / semi annually / quarterly/ other/ specify ] in arrear]  
*(if payable other than annually consider amending N&C Security Condition 5)*
- 16.2 Interest Payment Date[s]: [[ ] in each year up to and including the Maturity Date] / [specify other]  
*(N.B. to provide for adjustment of the Interest Periods by reference to which interest is calculated, please specify the appropriate Business Day Convention in paragraph 16.7 below. For "unadjusted" interest calculation the Business Day Convention should be specified as "Not Applicable". Where Interest Payment Dates are required to adjust for payment purposes only (i.e. to roll to an appropriate Payment Day without affecting the length of the relevant Interest Period used for interest calculations) this can be achieved by specifying the appropriate Payment Day Convention in paragraph 36 below)*  
*(NB: This will need to be amended in the case of long or short coupons)*
- 16.3 Fixed Coupon Amount(s): [ ] per Calculation Amount] / [Not Applicable]  
(Applicable to N&C Securities in definitive form)
- 16.4 Broken Amount(s): [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ] / [Not Applicable]  
(Applicable to N&C Securities in definitive form)  
*[Insert particulars of any initial or final broken interest amounts per Calculation Amount which do not correspond with the Fixed*

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*Coupon Amount(s)*

- 16.5 Day Count Fraction: [Actual/Actual (ICMA)]/[Act/Act (ICMA)]  
 [Actual/Actual (ISDA)]/[Actual/Actual]/[Act/Act]/  
 [Act/Act (ISDA)]  
 [Actual/365 (Fixed)]/[Act/365 (Fixed)]/[A/365  
 (Fixed)]/[A/365F]  
 [Actual/360]/[Act/360]/[A/360]  
 [30/360 (ICMA)]  
 [30/360]/[360/360]/[Bond Basis]  
 [30E/360]/[Eurobond Basis]  
 [30E/360 (ISDA)]  
 [specify other]

*(N.B. If interest is not payable on a regular basis (for example, if there are Broken Amounts specified), Actual/Actual (ICMA) may not be a suitable Day Count Fraction)*

*(N.B. Actual/Actual (ICMA) is normally only appropriate for Fixed Rate N&C Securities denominated in euros)*

- 16.6 Determination Date(s): [ ] in each year

*(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*

*N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration*

*N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))]*

- 16.7 Business Day Convention: [Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / [specify other]] / [Not Applicable]

- 16.8 Additional Business Centre(s): [ ]

- 16.9 Other terms relating to the method of calculating interest for Fixed Rate N&C Securities: [None/Give details]

**17. Floating Rate N&C Security Provisions** [Applicable] / [Not Applicable]

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

- 17.1 Specified Period(s)/Specified Interest Payment Dates: [ ]

*(N.B. to provide for adjustment of the Interest Periods by reference to which interest is calculated, please specify the appropriate Business Day Convention in paragraph 17.2 below. For "unadjusted" interest calculation the Business Day Convention should be specified as "Not Applicable". Where Interest Payment Dates are required to adjust for payment*

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*purposes only (i.e. to roll to an appropriate Payment Day without affecting the length of the relevant Interest Period used for interest calculations) this can be achieved by specifying the appropriate Payment Day Convention in paragraph 36 below)*

- 17.2 Business Day Convention: [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / *[specify other]* / [Not Applicable]]
- 17.3 Additional Business Centre(s): [ ]
- 17.4 Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination / ISDA Determination / *specify other*]
- 17.5 Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [See paragraph 42 below] / *[specify other]*
- [Address]
- 17.6 Screen Rate Determination: [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Reference Rate [ ]
- (Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)*
- (b) Interest Determination Date: [ ]
- (Second London business day 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 TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
- (c) Relevant Screen Page: [ ]
- (In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend fallback provisions appropriately)*
- (d) Rate Multiplier: [Applicable] / [Not Applicable]
- (If applicable, set out all relevant provisions here)  
(specify formula)*
- 17.7 ISDA Determination: [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*

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- (a) Floating Rate Option: [ ]
- (b) Designated Maturity: [ ]
- (c) Reset Date: [ ]
- 17.8 Margin(s): [ +/- ] [ ] per cent. per annum
- 17.9 Minimum Rate of Interest: [ ] per cent. per annum
- 17.10 Maximum Rate of Interest: [ ] per cent. per annum
- 17.11 Day Count Fraction: [Actual/Actual (ISDA)]/[Actual/Actual]  
[Actual/Actual (ICMA)]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30/360]/[360/360]/[Bond Basis]  
[30/360 (ICMA)]  
[30E/360]/[Eurobond Basis]  
[30E/360 (ISDA)]  
[specify other]
- 17.12 Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate N&C Securities, if different from those set out in the N&C Security Conditions: [ ]
- 18. Zero Coupon N&C Security Provisions** [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- 18.1 Accrual Yield: [ ] per cent. per annum
- 18.2 Reference Price: [ ]
- 18.3 Any other formula / basis of determining amount payable: [ ]
- 18.4 Day Count Fraction in relation to Early Redemption Amounts and late payment: [N&C Security Condition 7.7(c) and 7.13 apply] / [(specify other)]
- (Consider amending applicable day count fraction if not US\$ denominated)*
- 19. Dual Currency N&C Security Provisions** [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- 19.1 Rate(s) of Exchange / method of calculating Rate(s) of Exchange: [ ]

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19.2 Party, if any, responsible for calculating the principal and/or interest payable (if not the Principal Paying Agent): [See paragraph 42 below] / [specify other]

[Address]

19.3 Fallback provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest payable where calculation by reference to Rate of Exchange impossible or impracticable: [ ]

[Need to include a description of market disruption or settlement disruption events and adjustment provisions]

19.4 Day Count Fraction: [Actual/Actual (ISDA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360 / 30/360 / 30E/360 (ISDA) / Other]

19.5 If redeemable in part:

(a) Minimum Redemption Amount: [ ]

(b) Maximum Redemption Amount: [ ]

19.6 Notice period (if other than as set out in the N&C Security Conditions): [ ]

19.7 Person at whose option Specified Currency(ies) is/are payable: [ ]

**20. Other Variable Interest Rate N&C Security Provisions** [Applicable] / [Not Applicable]

- [Equity Index Linked Interest]
- [Equity Linked Interest]
- [Inflation Index Linked Interest]
- [Commodity Linked Interest]
- [Currency Linked Interest]
- [Fund Linked Interest]
- [Property Index Linked Interest]
- [Other (specify)]

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

20.1 Formula for calculating interest rate including provisions for determining coupon where calculation by reference to the underlying is impossible or impracticable and other back up provision: [Specify or give annex details]

20.2 Calculation Agent responsible for calculating the principal and/or interest due: [See paragraph 42 below] / [specify other]



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[Address]

[Give name (and if the N&C Securities and derivative securities to which Annex XII of the Prospectus Directive regulation applies, address)]

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

20.4 Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]

20.5 Additional Business Centre(s): [ ]

20.6 Minimum Rate of Interest: [ ] per cent. per annum

20.7 Maximum Rate of Interest: [ ] per cent. per annum

20.8 Day Count Fraction: [Actual/Actual (ISDA)]/[Actual/Actual]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30/360]/[360/360]/[Bond Basis]  
[30E/360]/[Eurobond Basis]  
[30E/360 (ISDA)]  
[specify other] [adjusted / unadjusted]

20.9 Other terms or special conditions: [ ]

[For additional Currency Linked Interest provisions, insert: See [Paragraph 26 below] / [Currency Technical Annex (Currency Linked Conditions) contained herein]

[For additional Equity Linked Interest provisions, insert: See [Paragraph 27 below] / [Equity Technical Annex (Equity Linked Conditions) contained herein]

[For additional Equity Index Linked Interest provisions, insert: See [Paragraph 28 below] / [Equity Index Technical Annex (Equity Index Linked Conditions) contained herein]

[For additional Fund Linked Interest provisions, insert: See [Paragraph 29 below] / [Funds Technical Annex (Funds Linked Conditions) contained herein]

[For additional Commodity Linked Interest provisions, insert: See Paragraph 31 below] / [Commodity Linked Technical Annex (Commodity Linked Conditions) contained herein]

[For additional Inflation Index Linked Interest provisions, insert: See [Paragraph 32 below]] / [Inflation Index Linked Technical Annex (Inflation Index Linked Conditions) contained

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herein]

*[For additional Property Index Linked Interest provisions, insert: See [Paragraph [33 below]] / [Property Index Technical Annex (Property Index Linked Conditions) contained herein]*

**PROVISIONS RELATING TO REDEMPTION**

**21.** Issuer Call [Applicable] / [Not Applicable]

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

21.1 Optional Redemption Date(s): [ ]

21.2 Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount] / *[specify other]*

21.3 If redeemable in part:

(a) Minimum Redemption Amount: [ ]

(b) Maximum Redemption Amount: [ ]

21.4 Notice period (if other than as set out in the N&C Security Conditions): [ ]

*(N.B. If setting notice periods which are different from those provided in the N&C Security 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 Issuer and the Principal Paying Agent)*

**22.** Investor Put: [Applicable] / [Not Applicable]

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

22.1 Optional Redemption Date(s): [ ]

22.2 Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount] / *[specify other]*

22.3 Notice period (if other than as set out in the N&C Security Conditions): [ ]

*(N.B. If setting notice periods which are different from those provided in the N&C Security 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 Issuer and the Principal Paying Agent)*

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23. Final Redemption Amount:  [per Calculation Amount][per Unit] / [*specify formula/other*]
- (N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value or Unit Value on Issue the N&C Securities will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
- (N.B. In relation to Fund Linked Redemption N&C Securities, the Final Redemption Amount is normally calculated by reference to Settlement Price or Settlement Prices where Averaging Dates apply)*
- (Consider whether rounding provisions should be included)*
- [For Currency Linked Redemption N&C Securities insert: For additional Currency Linked Redemption provisions see [Paragraph 26 below]]*
- [For Equity Linked Redemption N&C Securities insert: For additional Equity Linked Redemption provisions see [Paragraph 27 below]]*
- [For Equity Index Linked Redemption N&C Securities insert: For additional Equity Index Linked Redemption provisions see [Paragraph 28 below]]*
- [For Fund Linked Redemption N&C Securities insert: For additional Fund Linked Redemption provisions see [Paragraph 29 below]]*
- [For Credit Linked Redemption N&C Securities insert: For additional Credit Linked Redemption provisions see [Paragraph 30 below]]*
- [For Commodity Linked Redemption N&C Securities insert: For additional Commodity Linked Redemption provisions see [Paragraph 31 below]]*
- [For Inflation Index Linked Redemption N&C Securities insert: For additional Inflation Index Linked Redemption provisions see [Paragraph 32 below]]*
- [For Property Index Linked Redemption N&C Securities insert: For additional Property Index Linked Redemption provisions see [Paragraph 33 below]]*
24. Early Redemption Amount payable on redemption for illegality (N&C Security Condition 7.4 (Redemption for illegality)), Regulatory Redemption Event (N&C Security Condition 7.5 (Regulatory Redemption Event)), redemption for tax reasons (N&C Security Condition 7.6 (Redemption for tax reasons)), on an  [Market Value / specify other / see Appendix] [*Specify other*]
- (NB. To be specified per Calculation Amount or per unit, as applicable)*
- (NB. "Market Value" must not be selected for Italian MOT*

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Event of Default (N&C Security Condition 10 (Events of Default)) or in any other circumstances specified in the N&C Security Conditions and/or the relevant Technical Annex:

25. Automatic Early Redemption Event(s): [Applicable – *if so specify definition*] / [Not Applicable]
- 25.1 Target Redemption Event: [Applicable] / [Not Applicable]
- [If applicable, give details, including Automatic Early Redemption Amount and Automatic Early Redemption Date]*
- 25.2 Knock-in Event: [Applicable] / [Not Applicable]
- [If applicable, give details, including Automatic Early Redemption Amount] [If not applicable, delete the remaining sub-paragraphs]*
- (a) Knock-in Level: [ ]
- (b) Automatic Early Redemption Date(s): [ ]
- 25.3 Knock-out Event: [Applicable] / [Not Applicable]
- [If applicable, give details, including Automatic Early Redemption Amount] [If not applicable, delete the remaining sub-paragraphs]*
- (a) Knock-out Level: [ ]
- (b) Automatic Early Redemption Date(s): [ ]
- 25.4 Redemption Notice Cut-off Time: [Not Applicable]
- [ ]
- [[5.00 p.m. Milan time] on the Business Day following the Final Valuation Date]
- For so long as the Securities are listed on the Italian Stock Exchange, the Securities will be deemed to expire at the Renouncement Notice Cut-off Time (*la Data di Scadenza*) and trading in the Securities on the Italian Stock Exchange will cease at such time.
- (NB. Only applicable in the case of Italian SeDeX Securities)*
- 25.5 Other terms or special conditions: [ ] / [Not Applicable]
- [These N&C Securities will be deemed to be Italian Securities and the Italian Securities Technical Annex (*Italian Securities Conditions*) will apply.]
- [If applicable, give details]*

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26. **Additional provisions relating to Currency Linked N&C Securities and for N&C Securities to which Currency Adjustment Only applies** [Applicable] / [Not Applicable]

*(if not applicable delete the remainder of this paragraph)*

[Currency Adjustment Only:]

[Applicable] *(if Applicable delete the remainder of this paragraph)*

- 26.1 [Currency Linked Condition 1: [Applicable] / [Not Applicable]

*(Specify as "Applicable" if interest amounts and/or Final Redemption Amount are determined by reference to a currency rate(s) to which it is intended Currency Linked Condition 1 applies and in this case specify provisions for determination of each such interest amount or Final Redemption Amount and complete each applicable sub-paragraph below.)*

- 26.2 Maturity Date Extension: [Applicable] / [Not Applicable]

- 26.3 (a) Specified Rate(s), Base Currencies and Reference Currencies: [Applicable] / [Not Applicable]

*[Insert each Specified Rate in relation to each Valuation Date or Averaging Date or other relevant date and Valuation Time, including whether bid, offer or market average rate, if applicable - e.g. as set out below - and repeat as necessary in relation to each Specified Rate. If applicable insert all provisions for calculation of each Currency Pair, including each First Currency and Second Currency. If using any different formulation ensure consistency with Valuation Date and Averaging Date where Currency Reference Dealers may provide the quotations. "The Specified Rate in relation to the [specify Valuation Day, Averaging Date or other relevant date] means the rate at which the Reference Currency [NB set out definition] could be exchanged for the Base Currency, expressed as the number of units of the Reference Currency (or part thereof) for which one unit of the Base Currency could be exchanged as quoted by the relevant FX Price Source at or about the Valuation Time on such [specify relevant Valuation Day, Averaging Date or other relevant date], subject to the Currency Linked Conditions".*

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- (b) Local Currency: [Specify each Local Currency, for purposes of General Inconvertibility, Specific Inconvertibility, General Non-Transferability or Specific Non-Transferability or Special Taxation Event.]
- 26.4 NDF Currency(ies): [Applicable] / [Not Applicable]
- [Specify each relevant NDF Currency] [If applicable, specify each relevant NDF currency. For example, ARS, BRL, CLP, COP, etc. If not applicable, delete the remaining subparagraphs of this paragraph. If applicable, insert: See Annex (Special Conditions) contained herein]
- (a) Unscheduled Holiday: [Specify meaning in accordance with applicable emerging market trading association templates]
- (b) Specified NDF Maximum Days of Disruption: [ ] calendar days
- (c) First Fallback FX Price Source: [See item 26.7 below] / [Not Applicable]
- (d) Second Fallback FX Price Source: [Not Applicable] / [Give details]
- 26.5 Key Dates:
- (a) Trade Date: [ ]
- (b) Valuation Date: [ ]
- (c) Initial Valuation Date: [ ]
- (d) Scheduled Observation Date(s): [ ]
- (e) Observation Period: [ ]
- (f) Final Valuation Date: [ ] [Not Applicable]
- (g) Specified Maximum Days of Disruption: [See Currency Linked Condition 6]/[insert number] FX Business Days
- 26.6 Averaging: Averaging [applies/does not apply] to the N&C Securities. [The Averaging Dates are [ ].]
- [In the event that an Averaging Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply.]
- 26.7 FX Price Source(s): [Specify in relation to each Specified Rate including Bloomberg Screen, Reuters Screen and/or Screen Page if applicable. Include each of (i) primary FX Price Source and (ii) the Fallback FX Price Source or First Fallback FX Price Source if relevant, making clear when fallback to (ii) occurs]
- 26.8 Valuation Time: [Specify in relation to each Specified Rate]
- 26.9 Principal Financial Centres: (For the [Specify for the purposes only of FX Business Day])

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purposes of determining the FX Business Day)

- 26.10 Disruption Fallback(s): [Currency Reference Dealer Quotation] [Fallback Reference Price] [Valuation Postponement] [Calculation Agent Determination] [*specify and set out provisions for any other*] *N.B. specify in the order the Disruption Fallbacks should apply and ensure Calculation Agent Determination is specified last. These will apply to both Valuation Dates and Averaging Dates.*
- 26.11 Additional Disruption Events other than as specified in the Currency Linked Conditions: [*Specify any other Additional Disruption Events not set out in the Currency Technical Annex*]

**27. Additional provisions relating to Equity Linked N&C Securities** [Applicable] / [Not Applicable]

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

- 27.1 Whether the N&C Securities relate to a single share or a basket of shares (each a "Share"): [Single Share] / [Basket of Shares]
- 27.2 Whether redemption of the N&C Securities will be by (a) Cash Settlement or (b) Physical Delivery or (c) Cash Settlement and/or Physical Settlement: [Cash Settlement] [and/or] [Physical Settlement] [In the event of both Cash Settlement or Physical Delivery describe triggers and at whose option]

*[Specify if Issuer has the option to vary Settlement and in this case complete both Cash and Physical Settlement provisions]*

*(NB Italian Securities must be "Cash Settlement" only)*

- 27.3 Share(s) and Share Company(ies): [*Name of Share*]

(a) Bloomberg Code: [ ]

(b) ISIN Code: [ ]

*(Give or annex details of the Share(s) and Share Company(ies))*

- 27.4 Settlement Price: The Settlement Price will be calculated [*insert calculation method, including any weightings and exchange rates*] / [As set out in the Equity Linked Conditions]

27.5 Key Dates:

(a) Trade Date: [ ]

(b) Valuation Date: [ ] / Not Applicable

(c) Initial Valuation Date: [ ] / Not Applicable

(d) Scheduled Observation Date(s): [ ] / Not Applicable

(e) Observation Period: [ ] / Not Applicable

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- (f) Final Valuation Date: [ ] / Not Applicable
- (g) Cut-off Date: [ ] / Not Applicable
- [Specify calendar date (e.g. that is at least 10 Business Days prior to Scheduled Maturity Date)]*
- (h) Settlement Business Day: [ ]
- (i) Specified Maximum Days of Disruption: [See Equity Linked Condition 10][*Specify number*] Scheduled Trading Days].
- 27.6 Averaging: Averaging [applies/does not apply] to the N&C Securities. [The Averaging Dates are [ ].]
- [In the event that an Averaging Date is a Disrupted Day [Omission/Postponement /Modified Postponement] will apply.]*
- 27.7 Exchange(s): The relevant Exchange[s] [is/are] [ ]
- 27.8 Related Exchange: [*specify*] / [All Exchanges]
- 27.9 Exchange Business Day: [Exchange Business Day (Single Share Basis)] / [Exchange Business Day (All Shares Basis)] / [Exchange Business Day (Per Share Basis)]
- 27.10 Scheduled Trading Day: [Scheduled Trading Day (Single Share Basis)] / [Scheduled Trading Day (All Shares Basis)] / [Scheduled Trading Day (Per Share Basis)]
- 27.11 Relevant Time: [Scheduled Closing Time]/[The relevant time is [ ], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.]
- 27.12 Further provisions relating to Extraordinary Events:
- (a) Tender Offer: [Applicable] / [Not Applicable]
- (b) Share Substitution: [Applicable] / [Not Applicable]
- (If applicable, specify any amendment(s) to Equity Linked Conditions 5(b)(v))*
- 27.13 Additional Disruption Events:
- (a) Elected Events Only: [Applicable] / [Not Applicable]
- (b) [The following Additional Disruption Events apply to the N&C Securities: [Analagous Event] [Change in Law] [Currency Event] [Failure to Deliver] [Force Majeure Event] [Hedging Disruption] [Increased Cost of Hedging] [Increased Cost of Stock Borrow] [Insolvency Filing] [Jurisdiction Event] [Loss of Stock Borrow] [Stop-Loss Event] [Specified Additional Disruption Event] [Termination or Adjustment Event (if applicable)]]



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(NB: delete this item (b) if "Elected Events Only" is specified as Not Applicable)

(c) [Specified Additional Disruption Events: *Specify any additional events not set out in the Equity Technical Annex and give details*]

(d) [[The Maximum Stock Loan Rate in respect of [specify in relation to each relevant Share] is [ ]]

(NB: only applicable if Loss of Stock Borrow is required)

(e) [[The Initial Stock Loan Rate in respect of [specify in relation to each relevant Share] is [ ].]

(NB: only applicable if Increased Cost of Stock Borrow is required)

(f) Stop-Loss Event: [Applicable]/[Not Applicable]

*(If applicable, specify all details necessary for the definition of Stop-Loss Event in Equity-Linked Condition 8, including the time for the determination of Share price, nature of Share price, Strike Date, Strike Price (or Benchmark Price) and relevant percentage(s))*

27.14 Additional Extraordinary Events: [Applicable] / [Not Applicable]  
[If applicable, give details (e.g. Illiquidity or, for non-basket linked N&C Securities only, De-Merger, Participation Event)]

27.15 Asset Amount and delivery provisions for Asset Amount (including details of who is to make such delivery): [ ] / [Not Applicable]  
*(only relevant for Physical Delivery N&C Securities)*  
*[NB: Specify the number of shares per Calculation Amount to be delivered and any balancing cash portion that will be required to be paid.]*

27.16 Depository Receipts provisions: [Applicable] / [Not Applicable]

(a) Details of Depository Receipt: *[specify name and ISIN code]*

(b) Underlying Shares: *[specify the shares underlying the depository receipts]*

(c) Underlying Share Issuer: *[specify the name of underlying issuer]*

(d) Share Exchange: *[specify - exchange for underlying share]*

27.17 Adjustments for Dividend Amounts and Extraordinary Dividends (specify all that are applicable and insert all operative provisions required): [Applicable] / [Not Applicable]  
*(if not applicable, delete the remaining sub-paragraphs below)*

(a) Dividend Amount: [Record Amount]/[Ex Amount]/[Paid Amount]/[Other - give details]

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- (b) Dividend Payment Date: [ ]
- (c) Dividend Period: [First Period] / [Second Period]
- (d) Extraordinary Dividend: [ ] / [Not Applicable]
- (e) Excess Dividend Amount: [Extraordinary Dividend Ex Amount]/[Extraordinary Dividend Paid Amount]/[Extraordinary Dividend Record Amount]/[Other – give details]

27.18 Calculation Agent responsible for calculating the redemption amount due: [See paragraph 42 below] / [Principal Paying Agent] [*specify other*]  
[Address]

27.19 Other terms or special conditions: [ ]

**28. Additional provisions relating to Equity Index Linked N&C Securities** [Applicable] / [Not Applicable]

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

28.1 Whether the N&C Securities relate to single index or a basket of indices and the identity of the relevant Index/Indices: [Single index] / [Basket of indices]

*(Give or annex details of index / indices)*

28.2 Index Level: [Closing Level] / [Intraday Level] / [*Specify other*]

*(Where "Intraday Level" is specified insert full details of observation method and timing)*

28.3 Key Dates:

- (a) Valuation Date: [ ]
- (b) Trade Date: [ ]
- (c) Initial Valuation Date: [ ] / [Not Applicable]
- (d) Scheduled Observation Date(s): [ ] / [Not Applicable]
- (e) Observation Period: [ ] / [Not Applicable]
- (f) Final Valuation Date: [ ] / [Not Applicable]
- (g) Specified Maximum Days of Disruption: [See Equity Index Linked Condition 7][*specify number*] Scheduled Trading Days]

28.4 Averaging: Averaging [applies/does not apply] to the N&C Securities. [The Averaging Dates are [ ]]

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- [In the event that an Averaging Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply.]
- 28.5 Index Sponsor: [The relevant Index Sponsor[s] [is/are] [ ]]
- 28.6 Exchange(s) [The relevant Exchange[s] [is/are] [ ]]
- 28.7 Related Exchange: [*specify*] / [All Exchanges]
- 28.8 Exchange Business Day: [Exchange Business Day (Single Index Basis)] / [Exchange Business Day (All Indices Basis)] / [Exchange Business Day (Per Index Basis)]
- 28.9 Scheduled Trading Day: [Scheduled Trading Day (Single Index Basis)] / [Scheduled Trading Day (All Indices Basis)] / [Scheduled Trading Day (Per Index Basis)]
- 28.10 Relevant Time: [Scheduled Closing Time]/[The relevant time is [ ]], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.]
- 28.11 Additional Disruption Events:
- (a) Elected Events Only: [Applicable] / [Not Applicable]
- (b) [The following Additional Disruption Events apply to the N&C Securities: [Change in Law] [Hedging Disruption] [Increased Cost of Hedging] [Increased Cost of Stock Borrow] [Loss of Stock Borrow]]
- (NB: *delete this item (b) if "Elected Events Only" is specified as Not Applicable*)
- (c) [Specified Additional Disruption Events: *Specify any additional events not set out in the Equity Index Technical Annex and give details*]
- (d) [[The Maximum Stock Loan Rate in respect of [*specify in relation to each relevant Share*] is [ ]]
- (NB: *only applicable if Loss of Stock Borrow is applicable*)
- (e) [[The Initial Stock Loan rate in respect of [*specify in relation to each relevant Share*] is [ ].]
- (NB: *only applicable if Increased Cost of Stock Borrow is applicable*)
- 28.12 Additional Index Adjustment Events: [*If applicable, specify, otherwise delete this paragraph*]
- 28.13 Calculation Agent responsible for calculating the relevant amount due: [See paragraph 42 below] / [Principal Paying Agent] / [*specify other*]
- [Address]
- 28.14 Other terms or special conditions: [ ]

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**29. Additional provisions relating to Fund Linked N&C Securities** [Applicable] / [Not Applicable]

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

29.1 Maturity Date Extension: [Applicable/Not Applicable]

29.2 Reference Fund(s): [If more than one Reference Fund, insert the following:

[ ] ("Reference Fund 1")

[ ] ("Reference Fund 2")

*[NB: complete and number accordingly in relation to additional Reference Funds. Also repeat relevant information in 29.3 – 29.8 below inclusive and any other relevant item in respect of each Reference Fund. Specifying "In relation to Reference Fund [1]" or similar in relation to the relevant information.*

*If more than three Reference Funds, annex the details.]*

29.3 (a) Fund Interest: [Give details]

(b) Fund Interest Unit(s): [Class [ ] shares] in [the Reference Fund] [Reference Fund 1]

[Class [ ] shares] in [Reference Fund 2]

*[If more than three Fund Interest Units, annex the details.]*

29.4 Reference Fund(s) Management and Administration

(a) Fund Adviser: [ ]

(b) Fund Administrator(s): [ ]

(c) Fund Custodian: [ ]

(d) Other Fund Service Provider(s): [ ] / [Not Applicable]

(e) Key Person(s): [ ] / [Not Applicable]

29.5 Fund Documents: [ ]

*[NB: Specify details of the prospectus - See Fund Linked Condition 6]]*

29.6 Key Dates:

(a) Provisions for Valuation: *(Where "Exchange Traded Fund Provisions" are specified as "Applicable", please see Fund Linked Condition 7.2 in relation to valuation)*

(i) Valuation Date: [ ]

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- (ii) Initial Valuation Date: [ ] / [Not Applicable]
  - (iii) Scheduled Observation Date(s): [ ] / [Not Applicable]
  - (iv) Observation Period: [ ] / [Not Applicable]
  - (v) Final Valuation Date: [ ] / [Not Applicable]
- (b) Other Dates:
- (i) Trade Date: [Issue Date]
  - (ii) Reference Fund Subscription Date: [ ]
  - (iii) Subscription Notice Date: [ ] / [Not Applicable]
  - (iv) Fund Valuation Date: [ ] [*specify in relation to Valuation Date or Averaging Date*]
  - (v) Fund Reporting Date(s): [ ] / [*Generally expected to fall on the last Fund Business Day of the calendar month*]
  - (vi) Redemption Notice Date: [ ] [*specify in relation to Valuation Date or Averaging Dates*]
  - (vii) Scheduled Redemption Payment Date: [*Specify/Not Applicable*]
  - (viii) Cut-off Period/Final Cut-Off Date: [ ] [*Specify Cut-Off Period and Final Cut-off Date, if any*]
- 29.7 Averaging: Averaging (applies/does not apply) to the N&C Securities. [The Averaging Dates are [ ].]
- [In the event that an Averaging Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply.]
- 29.8 Valuation Method: [Deemed Payout Method-]/[Reported Value Method]
- 29.9 Valuation Time: [Not Applicable/*give details*]
- 29.10 Provisions for Settlement:
- (a) Settlement Price: [As per the Fund Linked Conditions]/[*Specify if other than as set out in Fund Linked Conditions. Expressed as price per Fund Interest Unit.*]
  - (b) Settlement Cycle [As per the Fund Linked Conditions]/[*Other-give details*]
- 29.11 Fund Business Day: [As per the Fund Linked Conditions]/[*Other-give details*]
- 29.12 Currency Business Day: [As per the Fund Linked Conditions]/[*Other-give details*]

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- 29.13 Calculation Agent: [See paragraph 42 below] / [*specify other*]
- 29.14 Additional Extraordinary Fund Events: [Applicable / Not Applicable]  
[*please specify*]
- 29.15 Hypothetical Investor Jurisdiction: [As set out in the Fund Linked Conditions] / [*other (give details)*]
- 29.16 Hypothetical Investor: [As set out in the Fund Linked Conditions] / [*other (give details)*]
- 29.17 Redemption Fees: [*Specify if applicable where Reported Value Method applies*]
- 29.18 Additional Fund Representations: [Applicable] / [Not Applicable]  
[*If applicable, specify all operative details*]
- 29.19 Exchange Traded Fund Provisions: [Applicable] / [Not Applicable]

[*If applicable, insert:*

(a) Underlying Index: [ ]

(b) Underlying Index Sponsor: [ ]

29.20 Other terms or special conditions: [ ]

**30. Additional provisions relating to Credit Linked N&C Securities** [Applicable] / [Not Applicable]

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

30.1 Settlement Method: [Auction Settlement/Cash Settlement/Physical Delivery]

*[If Cash Settlement or Physical Delivery is specified, specify if the Issuer has the option to vary the Settlement Method in accordance with the Credit Linked Conditions and if this is the case complete both the Cash Settlement and Physical Delivery provisions at paragraph 30.21 below]*

*[If Auction Settlement is specified, complete both the Auction Settlement provisions at paragraph 30.21 below and the provisions relating to the relevant Fallback Settlement Method.]*

30.2 Trade Date: [ ]

30.3 Effective Date: [ ]

30.4 Calculation Agent responsible for making determinations under the relevant Technical Annex: [See paragraph 42 below] / [Principal Paying Agent] [*specify other*]

[Address]

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30.5 Calculation Agent City: [London] / [specify other]

*Credit Provisions*

30.6 Whether the N&C Securities relate to a single name or a portfolio of names:

(a) Single name: [Applicable] / [Not Applicable]

(b) First to Default: [Applicable] / [Not Applicable]

[If Applicable insert: Substitution: [Not] Applicable]

[If Applicable specify: Credit Spread Requirement: [insert]% (if other than 110%)]

(c) Portfolio Credit Linked N&C Securities: [Applicable] / [Not Applicable]

(d) Portfolio Maturity Settled Credit Linked N&C Securities: [Applicable] / [Not Applicable]

[If applicable, specify Reference Amount in respect of each Reference Entity]

30.7 Reference Entity(ies): [Specify name] [If more than one Reference Entity, insert the following:

[ ] ("Reference Entity 1")

[ ] ("Reference Entity 2")

[NB: complete and number accordingly in relation to additional Reference Entities. Also repeat relevant information in 30.8 – 30.15 below inclusive in respect of each Reference Entity. Specifying "In relation to Reference Entity [1]" or similar in relation to the relevant information.

[If more than three Reference Entities or if required, annex the details or insert a table.]

(N.B. By specifying "Standard Terms" as applicable to a Reference Entity, the relevant information set out in Credit Linked Condition 24 shall apply. N&C Security that not all relevant information is given in the Standard Terms and ensure the remaining sections of this item 30 are completed accordingly.)

30.8 Standard Terms: [Applicable/Not applicable]

[If applicable, insert the following as applicable and specify any changes needed to reflect the latest ISDA Physical Settlement Matrix: The following Standard Terms apply: [North American Corporate/North American High Yield Corporate/North American Monoline Insurer Corporate/European Insurance Corporate (Subordinated Debt)/Emerging European

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Corporate/Emerging European Corporate LPN/Australia & New Zealand Corporate/Japan Corporate/Singapore Corporate/Latin America Corporate B/Latin America Corporate B&L/Asia Corporate/Asia Sovereign/Emerging European & Middle Eastern Sovereign/Australia & New Zealand Sovereign/Japan Sovereign/Singapore Sovereign/Latin America Sovereign/Western European Sovereign]

- 30.9 Reference Obligation[s]: [ ]
- The obligation(s) identified as follows:* [If more than three Reference Obligations, annex the details]
- (a) [Primary Obligor:] [ ]
- Guarantor: [ ]
- Maturity: [ ]
- Coupon: [ ]
- CUSIP / ISIN: [ ]
- (b) [(repeat above headings if more than one reference obligation)]
- 30.10 Substitute Reference Obligation[s]: [As per the definition contained in the Credit Technical Annex] / [give details]
- 30.11 All Guarantees: [Applicable] / [Not Applicable]
- [Standard Terms]
- [Provisions relating to Qualifying Guarantee and Underlying Obligation (Credit Linked Condition 19): [Applicable] / [Not Applicable]
- 30.12 Credit Events: [Bankruptcy]
- [Failure to Pay]
- Grace Period Extension: [Applicable] / [Not Applicable]
- [If Applicable:
- Grace Period: [30 calendar days] / [other]]
- Payment Requirement: [ ] (or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay)
- [Obligation Default]
- [Obligation Acceleration]
- [Repudiation / Moratorium]



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[Restructuring]

[Restructuring Maturity Limitation and Fully Transferable Obligation: [Applicable] / [Not Applicable]

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

Default Requirement: [ ] (or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event)

[Standard Terms]

30.13 Additional Credit Event(s): [ ] [Pass Through Event (*applicable for Pass Through N&C Securities only*)] [Specify – e.g. any trigger event]

[If applicable, give details including all operative provisions]

30.14 Conditions to Settlement: Notice of Publicly Available Information: [Applicable] / [Not Applicable]

[If Applicable:

Public Source(s): [ ]

Specified Number: [2] / [*other*]]

30.15 Obligation(s):

(a) Obligation Category: [Payment]

(*select one only*) [Borrowed Money]

[Reference Obligations only]

[Bond]

[Loan]

[Bond or Loan]

[Standard Terms]

(b) Obligation Characteristics: [Not Subordinated]

(*select all of which apply*) [Specified Currency:

[Standard Specified Currencies / [*specify currency*]]

[Not Sovereign Lender]

[Not Domestic Currency]

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[Domestic Currency means: *(specify currency)*]

[Not Domestic Law]

[Listed]

[Not Domestic Issuance]

[Standard Terms]

(c) Additional Obligation[s]: [ ]

(d) Excluded Obligation[s]: [ ]

30.16 Accrual of Interest upon a Credit Event: [Applicable] / [Not Applicable] / *[specify any further details]*

30.17 Merger Event: [Applicable] / [Not Applicable]

*[If applicable:*

Merger Event Redemption Date: [ ] / [Five (5) Business Days after the Calculation Agent determines that a Merger Event has occurred.]

30.18 Unwind Costs: [Standard Unwind Costs] / *[specify other]* / [Not Applicable]

*(NB. Must be "Not Applicable" in the case of Italian Securities)*

30.19 Provisions relating to Monoline Insurer as Reference Entity: Credit Linked Condition 17: [Applicable] / [Not Applicable]

Credit Linked Condition 18: [Applicable] / [Not Applicable]

*(NB: If applicable, only one of Credit Linked Condition 17 and Credit Linked Condition 18 should be specified but not both)*

30.20 Provisions relating to LPN Reference Entities: Credit Linked Condition 20: [Applicable] / [Not Applicable]

30.21 Further terms relating to settlement:

*(If auction settlement applies, complete the following section)*

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

Auction Settlement

(a) Fallback Settlement Method: [Cash Settlement/Physical Delivery]

*[If the Issuer has the option to vary the Fallback Settlement Method in accordance with the Credit Linked Conditions this should be specified here and if this is the case both the Cash Settlement and Physical Delivery provisions in this paragraph 30.21 should be completed in addition to these Auction Settlement provisions.]*

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- (b) Business Day Convention: [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (c) Succession Event Backstop Date subject to adjustment in accordance with Business Day Convention: [Yes/No]
- (d) Limitation Dates subject to adjustment in accordance with Business Day Convention: [Yes/No]

*(If cash settlement applies, complete the following section) (If not applicable, delete the remaining sub-paragraphs of this cash settlement paragraph)*

**Cash Settlement**

- (e) Credit Event Redemption Amount: [*Express per Calculation Amount*] / [Such amount as determined by the Calculation Agent in accordance with the Credit Linked Conditions]
- (f) Credit Event Redemption Date: [ ] Business Days
- (g) Valuation Date: [Single Valuation Date:  
[ ] Business Days]  
[Multiple Valuations Dates:  
[ ] Business Days' and each [ ] Business Day thereafter.  
Number of Valuation Dates: [ ]]
- (h) Valuation Time: [ ] / [As per the definition in the Credit Technical Annex]
- (i) Valuation Obligations: [ ] / [Valuation Obligation applicable] [*Delete if not applicable*]
- Valuation Obligation Category: [Payment]  
[*select one only*] [Borrowed Money]  
[Reference Obligations Only]  
[Bond]  
[Loan]  
[Bond or Loan]  
[Standard Terms]
- Valuation Obligation Not Subordinated  
Characteristics:

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- [select all of which apply]                      [Credit Linked Specified Currency: (specify currency)] /  
 [Standard Specified Currencies]
- [Not Sovereign Lender]
- [Not Domestic Currency]
- [Domestic Currency means: (specify currency)]
- [Not Domestic Law]
- [Listed]
- [Not Contingent]
- [Not Domestic Issuance]
- [Assignable Loan]
- [Consent Required Loan]
- [Direct Participation Loan]
- [Qualifying Participation Seller: [ ] (insert details)]
- [Transferable]
- [Maximum Maturity: [ ]]
- [Accelerated or Matured]
- [Not Bearer]
- [Standard Terms]
- (j) Valuation Obligation [ ]  
 Determination Period:
- (k) Additional Valuation Obligations: [ ]
- (l) Excluded Valuation Obligations: [ ]
- (m) Quotation Method: [Bid] / [Offer] / [Mid-market]
- (n) Quotation Amount: [ ] / [Representative Amount]
- (o) Minimum Quotation Amount: [ ] / [As per the definition in the Credit Technical Annex]
- (p) Quotation Dealers: [ ] / [As per the definition in the Credit Technical Annex]
- (q) Quotations: [Include Accrued Interest] / [Exclude Accrued Interest]
- (r) Valuation Method: [Market / Highest]  
 [Average Market / Highest / Average Highest]

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[Blended Market / Blended Highest]

[Average Blended Market / Average Blended Highest]

(s) Other terms or special conditions: [ ]

*(If physical delivery applies, complete the following section)*

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

*(NB. Italian Securities must not be Physically Settled)*

Physical Delivery

(t) Physical Settlement Period: [[ ] Business Days] / [Not Applicable]

(u) Asset Amount: [Include Accrued Interest] / [Exclude Accrued Interest]

(v) Settlement Currency: [ ]

(w) Deliverable Obligations:

Deliverable Obligation Category [Payment]

*(select one only)* [Borrowed Money]

[Reference Obligations only]

[Bond]

[Loan]

[Bond or Loan]

[Standard Terms]

Deliverable Obligation [Not Subordinated]

Characteristics:

*(select all of which apply)* [Credit Linked Specified Currency:

*(specify currency)*] / [Standard Specified Currencies]

[Not Sovereign Lender]

[Not Domestic Currency]

[Domestic Currency means: *(specify currency)*]

[Not Domestic Law]

[Listed]

[Not Contingent]

[Not Domestic Issuance]

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[Assignable Loan]

[Consent Required Loan]

[Direct Participation Loan]

[Qualifying Participation Seller: [ ] (*insert details*)]

[Transferable]

[Maximum Maturity: [ ]]

[Accelerated or Matured]

[Not Bearer]

[Standard Terms]

(x) Additional Deliverable Obligation[s]: [ ] / [Not Applicable]

(y) Excluded Deliverable Obligation[s]: [ ] / [Not Applicable]

(z) Indicative Quotations: [Applicable] / [Not Applicable]

(aa) Cut-Off Date: [ ] / [Not Applicable] (*N.B. This is a date by which Asset Transfer Notices are required for timely settlement*)

(bb) Delivery provisions for Asset Amount (including details of who is to make such delivery) if different from the Credit Linked Conditions: [ ] / [Not Applicable]

(cc) Other terms or special conditions: [ ]

30.22 Other terms or special conditions: [ ]

**31. Additional provisions relating to Commodity Linked N&C Securities** [Applicable] / [Not Applicable]

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

31.1 Whether the N&C Securities relate to a single commodity or a basket of commodities and the identity of the relevant commodity / commodities [Applicable] / [Not Applicable]  
*(Give or annex details of commodity/commodities)*  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(a) Commodity Reference Price(s): [ ]

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- (b) Futures Contract(s): [ ] / [Not Applicable]
- (i) Futures Contract – [Applicable] / [Not Applicable]  
Expiry Date Roll:
- (ii) Futures Contract – [Applicable] / [Not Applicable]  
Delivery Date Roll:
- (c) Exchange(s): [ ] / [Not Applicable]
- (d) Specified Price: [high price] / [low price] / [average of the high price and the low price] / [closing price] / [opening price] / [bid price] / [asked price] / [average of the bid price and the asked price] / [settlement price] / [official settlement price] / [official price] / [morning fixing price] / [afternoon fixing price] / [spot price] / [other]
- (e) Price Source(s): [ ]
- (f) Fallback Reference Price: [alternate Commodity Reference Price] / [As per Commodity Linked Conditions]
- (g) Unit(s): [ ]
- (h) Relevant Currency: [Insert any FX provisions required in relation to any Relevant Price]
- (i) Commodity Business Day Convention / Bullion Business Day Convention: [Following] / [Modified Following] / [Nearest] / [Preceding] / [No Adjustment] [As per Commodity Linked Conditions]
- (j) Common Pricing: [Applicable] / [Not Applicable]
- (N.B. Only applicable in relation to Commodity Linked Securities relating to a Basket)*
- (k) Weighting: [The weighting to be applied to each item comprising the Basket is [ ]] / [Not Applicable]
- (N.B. Only applicable in relation to Commodity Linked N&C Securities relating to a Basket)*
- 31.2 Whether the N&C Securities relate to a single commodity index or a basket of commodity indices and the identity of the relevant commodity index / indices: [Applicable] / [Not Applicable]
- (Give or annex details of commodity index/commodity indices)*
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Index Sponsor: [ ] *(N.B. If the Commodity Linked N&C Securities relate to a basket of Commodity Indices specify the Index Sponsor in respect of each Commodity Index in the basket, clearly indicating to which Commodity Index each specified Index Sponsor relates)*

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- (b) Commodity Reference Price(s): [ ]
- (c) Futures Contract(s): [ ] / [Not Applicable]
- (i) Futures Contract – [Applicable] / [Not Applicable]  
Expiry Date Roll:
- (ii) Futures Contract – [Applicable] / [Not Applicable]  
Delivery Date Roll:
- (d) Exchange: [ ] / [Not Applicable]
- (e) Specified Price: [high price] / [low price] / [average of the high price and the low price] / [closing price] / [opening price] / [bid price] / [asked price] / [average of the bid price and the asked price] / [settlement price] / [official settlement price] / [official price] / [morning fixing price] / [afternoon fixing price] / [spot price] / [other]
- (f) Price Source: [Bloomberg Screen page] [and/or] [Reuters Screen page] [and/or] [ ]
- (g) Fallback Reference Price: [*Specify alternate Commodity Reference Price*] / [As per Commodity Linked Conditions]
- (h) Trading Day Convention: [Following] / [Modified Following] / [Nearest] / [Preceding] / [No Adjustment] [As per Commodity Linked Conditions]
- (i) Common Pricing: [Applicable] / [Not Applicable] (*N.B. Only applicable in relation to Commodity Linked N&C Securities relating to a Basket*)
- (j) Weighting: [The weighting to be applied to each item comprising the Basket is [ ]] / [Not Applicable] (*N.B. Only applicable in relation to Commodity Linked N&C Securities relating to a Basket*)

31.3 Key Dates:

- (a) Commodity Reference Dates:
- (i) Pricing Date: [ ]
- (ii) Fallback Pricing Date: [*please specify*] / [fifth Commodity Business Day/Bullion Business Day/Trading Day] immediately prior to the [relevant Interest Payment Date, Maturity Date or any other due date for payment or delivery under the N&C Securities, as applicable, of the amount calculated in respect of the relevant Pricing Date] / [Not Applicable]
- (iii) Delivery Date: [ ] [First Nearby Month] / [Second Nearby Month] / [*specify other*]
- (b) Other Dates:
- (i) Trade Date: [ ]



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(ii) Valuation Date: [ ]

(iii) Initial Valuation Date: [ ]

(iv) Scheduled Observation Date(s): [ ]

(v) Observation Period: [ ]

(vi) Final Valuation Date: [ ]

31.4 Averaging: Averaging [applies / does not apply] to the N&C Securities. [The Averaging Dates are [ ].]

31.5 Additional Market Disruption Events: [specify any applicable additional Market Disruption Events]

31.6 Additional provisions for Commodity Trading Disruption: [Not Applicable]

*[If Commodity Trading Disruption applies, specify any additional futures contracts, options contracts or commodities and the related exchange to which Commodity Trading Disruption relates]*

31.7 Disruption Fallback(s): [As set out in Commodity Linked Conditions] / [ ]

31.8 Specified Maximum Days of Disruption: [ ] [Commodity Business Days] / [Bullion Business Days] / [Trading Days] / [As per the Commodity Linked Conditions]

31.9 Calculation Agent responsible for calculating the amounts due: [see paragraph 42 below] / [*Specify other*]

31.10 Other terms or special conditions: [ ]

**32. Additional provisions relating to Inflation Index Linked N&C Securities** [Applicable] / [Not Applicable]

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

32.1 Inflation Index/Inflation Indices: [ ]

*(Give or annex details of index/indices)*

32.2 Inflation Index Sponsor(s): [ ]

32.3 Reference Source(s): [ ]

32.4 Formula: [ ]

32.5 Related Bond: [Applicable] / [Not Applicable]

The Related Bond is: [ ] [Fallback Bond]

The issuer of Related Bond is: [ ]

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32.6 Fallback Bond: [Applicable] / [Not Applicable]

32.7 Key Dates

(a) Reference Month: [ ]

(b) Determination Date(s): [ ]

(c) Cut-Off Date: [ ]

(d) End Date: [ ]

*(This is necessary whenever Fallback Bond is Applicable)*

32.8 Additional Disruption Events: [As per Inflation Index Linked Conditions] / [Specify other]

32.9 Other terms or special conditions: [ ]

**33. Additional provisions relating to Property Index Linked N&C Securities** [Applicable] / [Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph. If applicable, insert provisions here)*

33.1 Property Index: [ ]

33.2 Property Index Sponsor [ ]

33.3 Key Dates:

(a) Trade Date [ ]

(b) [Publication Date(s)]: [[ ]]

(c) Cure Period: [Applicable] / [Not Applicable]

*(If applicable, Cure Period to be specified)*

33.4 Index Level: [ ]

33.5 Additional Disruption Events: [As per Property Index Linked Conditions] / [Specify other]

33.6 Calculation Agent: [See Paragraph 42 below] / [Specify other]

33.7 Other terms or special conditions including disclosure of any affiliation with a Property Index Sponsor for the purposes of Property Index Linked Condition 5 (Index Disclaimer): [ ]

**GENERAL PROVISIONS APPLICABLE TO THE N&C SECURITIES**

**34. Form of N&C Securities:**

34.1 Form: [Bearer N&C Securities:

## ***Form of Final Terms for N&C Securities***

[Temporary Bearer Global N&C Security exchangeable for a Permanent Bearer Global N&C Security which is exchangeable for definitive Bearer N&C Securities [on 60 days' notice given at any time/only upon an Exchange Event]].

[Temporary Bearer Global N&C Security exchangeable for Definitive Bearer N&C Securities on and after the Exchange Date.]

[Permanent Bearer Global N&C Security exchangeable for Definitive Bearer N&C Securities [on 60 days' notice given at any time/only upon an Exchange Event]].

*(Ensure that this is consistent with the wording in the "Form of the N&C Securities" section in the Prospectus and the N&C Securities themselves. N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the N&C Securities in paragraph 6 includes language substantially to the following effect: "[€50,000]/[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]/[€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of N&C Securities which is to be represented on issue by a Temporary Global N&C Security exchangeable for Definitive N&C Securities.:*

*"[€50,000]/[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]/[€199,000]. No N&C Securities in definitive form will be issued with a denomination above [€99,000]/[€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of N&C Securities which is to be represented on issue by a Temporary Global N&C Security exchangeable for Definitive N&C Securities.)*

*(N&C Securities that are determined by reason of the CEA to be permanently prohibited from being offered, sold, resold, transferred, pledged or delivered in the United States or to, or for the benefit of, U.S. persons may only be issued in bearer form.)*

[Immobilised Bearer N&C Securities:

[Regulation S Global N&C Security held by the Book-Entry Depositary and European CDIs registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg/DTC]]

[Rule 144A Global N&C Security held by the Book-

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Entry Depositary and U.S. CDIs registered in the name of a nominee for DTC]

[Permanently Restricted Global N&C Security held by the Book-Entry Depositary and Permanently Restricted CDIs registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg]

*(Immobilised Bearer N&C Securities that may not be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, a U.S. person must be issued in the form of Permanently Restricted Global N&C Securities.)*

*(Permanently Restricted Global N&C Security to be used for securities which are to be represented by CREST Depositary Interests)*

[CREST Depositary Instruments:

CREST Depositary Interests ("**CREST Depositary Interests**") representing the N&C Securities may also be issued in accordance with the usual procedures of Euroclear UK & Ireland Limited ("**CREST**".)]

34.2 New Global Note: [Yes] / [No]

35. Additional Financial Centre(s): London / [give details]

36. Payment Day Convention: [Following] / [Modified Following] / [Preceding]

*(NB: If no Payment Day Convention is specified, "Following" will apply)*

37. Talons for future Coupons or Receipts to be attached to Definitive Bearer N&C Securities (and dates on which such Talons mature): [Yes] / [No]

*[If yes, give details: e.g. Talons will be issued if required and mature as of the date on which the last Receipt and/or Coupons on any definitive N&C Security falls due]*

38. Details relating to Partly Paid N&C Securities: [Not Applicable] / [give details]

amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the N&C Securities and interest due on late payment: [N.B. new form of temporary Global N&C Security and/or permanent Global N&C Security may be required for Partly Paid issue]

*(NB: Partly Paid N&C Securities may not be offered, sold, transferred, pledged or delivered in the United States or to, or for the benefit of, any U.S. person.)*

38.1 Part Payment Date(s): [ ]

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- 38.2 Part Payment Amount(s): [ ]
39. Details relating to Instalment N&C Securities: [Not Applicable] / [give details]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (NB: Instalment N&C Securities may not be offered, sold, transferred, pledged or delivered in the United States or to or for the benefit of any U.S. person.)*
- 39.1 Instalment Amount(s): [ ]
- 39.2 Instalment Date(s): [ ]
40. Redenomination, renominatisation and Redenomination [not] applicable reconventioning provisions:
- [If applicable,*
- The provisions annexed to this Final Terms apply.]
- (If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))*
41. Rounding Convention: [Rounded up] / [Rounded down] / [specify other] / [Not Applicable]
42. Calculation Agent: [Abbey National Treasury Services plc  
2 Triton Square  
Regent's Place  
London NW1 3AN  
United Kingdom]  
[specify other]
- CUSIP: [ ]
43. Any Terms and Conditions additional to, or modified from, those set forth in the Prospectus: [ ] / [Not Applicable]
- (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.)*

**DISTRIBUTION**

44. 44.1 If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable] / [give names and addresses of each entity acting as underwriter and its respective underwriting 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*

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*the same as the Managers.)*

44.2 Date of Subscription Agreement: [ ]

*(The above is only relevant if the N&C Securities are derivative securities to which Annex XII of the Prospectus Directive Regulation applies).*

44.3 Stabilising Manager(s) (if any): [Not Applicable] / [give name]

45. If non-syndicated, name and address of relevant Dealer: [Not Applicable] / [give name and address]

[In connection with the issue of any Tranche of N&C Securities, the relevant Dealer (if any) named as the stabilising manager (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms or Prospectus (as the case may be) (the "**Stabilising Manager**") may over-allot N&C Securities (provided that, in the case of any Tranche of N&C Securities to be admitted to trading on the London Stock Exchange's regulated market and/or any other regulated market (within the meaning of FSMA) in the European Economic Area, the aggregate nominal amount of N&C Securities allotted does not exceed 105.00 per cent. of the aggregate nominal amount of the Tranche of N&C Securities) or effect transactions with a view to supporting the market price of the N&C Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Tranche of N&C Securities 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 Tranche of N&C Securities and 60 days after the date of the allotment of the Tranche of N&C Securities.]

46. U.S. Selling Restrictions:

[The N&C Securities are only for offer and sale outside the United States in offshore transactions to non-U.S. persons in reliance on Regulation S under the Securities Act and may not be offered, sold, transferred, pledged, delivered, redeemed, directly or indirectly, at any time within the United States or to, or for the account or benefit of, or by, any U.S. person.

Each initial purchaser of the N&C Securities and each subsequent purchaser or transferee of the N&C Securities shall be deemed to have agreed with the Issuer or the seller of such Securities that (i) it will not at any time offer, sell, resell or deliver, directly or indirectly, such Securities so purchased in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person and (ii) it is not purchasing any Securities for the account or benefit of any U.S. person.]]  
[include the preceding two paragraphs for issuance of Bearer Securities pursuant to Regulation S]

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[The N&C Securities [and the Entitlement] have not been and will not be registered under the Securities Act or under any state securities laws and the N&C Securities may not be offered, sold, transferred, pledged, delivered, redeemed, directly or indirectly, at any time within the United States or to, or for the account or benefit of, or by, any U.S. person except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Trading in the N&C Securities has not been approved by the CFTC under the CEA.] *[include this paragraph for issuance of Immobilised Bearer N&C Securities pursuant to Regulation S (that are not determined to be permanently prohibited from being offered, sold, resold, transferred, pledged or delivered in the United States) or in reliance on Rule 144A, or both.]*

[The N&C Securities will be offered in the United States to or to, or for the account or benefit of, U.S. persons exclusively to QIBs. Each purchaser of the N&C Securities being offered within the United States or to, or for the account or benefit of, a U.S. person is hereby notified that the offer and sale of such Securities is being made in reliance upon an exemption from the registration requirements of the Securities Act. N&C Securities sold in the United States to QIBs or to, or for the account or benefit of, U.S. persons who are QIBs will, unless otherwise specified, be sold through [●], a U.S. registered broker dealer.] *[include this paragraph, in addition to the preceding paragraph, for Immobilised Bearer N&C Securities issued in reliance on Rule 144A]*

[The N&C Securities may not be legally or beneficially owned at any time by any U.S. Person (as defined in Regulation S) and accordingly are only being offered and sold in offshore transactions outside the United States to non-U.S. persons in reliance on Regulation S. Any offer, sale, resale, trade, pledge, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised.] *[include this paragraph for issuance of Permanently Restricted N&C Securities (Immobilised Bearer N&C Securities that may not be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, a U.S. person)]*

[Reg. S Compliance Category [2]; TEFRA D / TEFRA C / TEFRA not applicable] *(NB. N&C Securities which will be represented by CREST Depository Interests to be TEFRA C)*

47. Non exempt Offer:

[Not Applicable] / [An offer of the N&C Securities may be made by any Dealer [and *[specify names of other financial intermediaries/placers making non-exempt offers, to the extent known OR consider a generic description of other parties involved in non-exempt offers (e.g. "other parties authorised by any Dealer") or (if relevant) note that other parties may make non-exempt offers in the Public Offer Jurisdictions during the*

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*Offer Period, if not known]] (together with the Dealer(s), the "Financial Intermediaries") 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 (in addition to the jurisdiction where approved and published)] ("Public Offer Jurisdictions") during the period from [Insert, for example, one business day after satisfaction of all regulatory requirements of such Member State(s)] until [specify date or a formula such as "the Issue Date" or "the date which falls [ ] Business Days thereafter"] ("Offer Period"). Copies of these Final Terms will be provided to the competent authorities in the Public Offer Jurisdictions. See further Paragraph 10 of Part B below.*

*(N.B. Consider any local regulatory requirements necessary to be fulfilled so as to be able to make a non-exempt offer in relevant jurisdictions. No such offer should be made in any relevant jurisdiction until those requirements have been met. Non-exempt offers may only be made into jurisdictions in which the Base Prospectus (and any supplement) has been notified / passported.)*

48. Additional selling restrictions: [Not Applicable]/[give details]

### **LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdiction] [and] admission to trading on [specify relevant regulated market (for example, the London Stock Exchange's Regulated Market) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority)] of N&C Securities described herein pursuant to the Note, Certificate and Warrant Programme of Abbey National Treasury Services plc.

### **RESPONSIBILITY**

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. [Relevant third party information, for example, in compliance with Annex XII to the Prospectus Directive Regulation in relation to each Relevant Asset (as defined in the N&C Security Conditions) [or its components] has been extracted from [specify source]. The Issuer and the Guarantor each confirm that such information has been accurately reproduced and that, so far as they are aware and is/are able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of the Issuer and the Guarantor:

By: .....

Duly authorised



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### **PART B – OTHER INFORMATION**

#### **1. LISTING AND ADMISSION TO TRADING**

1.1 Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) for the N&C Securities to be admitted to trading on the London Stock Exchange's Regulated Market and to be listed the Official List of the UK Listing Authority with effect on or about [the Issue Date].

[Application is expected to be made by the Issuer (or on its behalf) for the N&C Securities to be admitted to trading on the London Stock Exchange's Regulated Market and to be listed on the Official List of the UK Listing Authority with effect on or about [the Issue Date].]

[Application has been made by the Issuer (or on its behalf) for the N&C Securities to be admitted to the Official List of the Irish Stock Exchange and trading on its regulated market with effect from [the Issue Date].]

Application is expected to be made by the Issuer (or on its behalf) for the N&C Securities to be admitted to trading on the Euro MTF market, which is the alternative market of the Luxembourg Stock Exchange, and to be listed on the Official List of the Luxembourg Stock Exchange with effect on or about the [Issue Date]. The Euro MTF market is not a regulated market for the purposes of Directive 2004/39/EC.

[The Issuer reserves the right for the Securities to be admitted to the official list of the Italian Stock Exchange [on or around the Issue Date] in its absolute discretion. No assurance is given that, if any such application is made, it will be successful]

[Application is expected to be made by the Issuer (or on its behalf) for the Securities to be admitted to trading on the Italian Stock Exchange's Regulated Market [on or around the Issue Date].]

[Application has been made by the Issuer (or on its behalf) for the N&C Securities to be admitted to the Official List of the Irish Stock Exchange and trading on its regulated market with effect from [the Issue Date].]

[The Issuer reserves the right to apply for Securities to be admitted to trading on the "Electronic Securitised Derivatives Market" ("SeDeX") organised and managed by the Italian Stock Exchange [on or around the Issue Date] in its absolute discretion.] [The Issuer reserves the right to apply for Securities to be admitted to trading on the ["Electronic Bond Market"] ("MOT") organised and managed by the Italian Stock Exchange [on or around the Issue Date] in its absolute discretion.] No assurance is given that, if any such application, if made, it will be successful]

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[Application has been made by the Issuer (or on its behalf) for the N&C Securities to be admitted to the Official List of the Irish Stock Exchange and trading on its Global Exchange Market with effect from [the Issue Date].]

[Application is expected to be made by the Issuer for the Securities to be admitted to trading and listing on the regulated market of the Warsaw Stock Exchange [on or around [date].]

[Not Applicable.]

*(Where documenting a fungible issue, indication must be given that the original N&C Securities are already admitted to trading).*

1.2 Estimate of total expenses related to [ ] admission to trading:

## **2. RATINGS**

2.1 Ratings: [None. Please note that as at the Issue Date it is not intended that this specific Series of N&C Securities will be rated.]

[The N&C Securities to be issued [have been]/[are expected to be] rated [insert rating] by [insert the legal name of the relevant credit rating agency entity(ies)].

*(In respect of each agency providing a rating, disclosure must be included as to the status of that agency with regards Regulation (EC) No. 1060/2009 (as amended) on credit rating agencies. This status should be confirmed with the relevant agency(ies) at the time of issuance. Once confirmed, select and complete the appropriate pro forma wording below. N.B. S&P, Moody's and Fitch have a number of group entities which may issue ratings. It will be important to confirm with the credit rating agency on a case by case basis precisely which entity is issuing (and/or endorsing) the rating and to ensure that this is accurately reflected)*

[[[Moody's Investors Service Limited] / [Specify other]] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). [As such [[Moody's Investors Service Limited] / [Specify other]] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[[Insert the legal name of relevant non-EU credit rating agency entity] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [Insert the legal name of relevant non-EU credit rating agency entity] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such

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Regulation].]

[[*Insert name of relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). However, the application for registration under the CRA Regulation of [*insert the name of the relevant EU credit rating agency entity that applied for registration*], which is established in the European Union and is registered under the CRA Regulation [(and, as such is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation)], disclosed the intention to endorse credit ratings of [*insert legal name of the relevant non-EU credit rating agency entity*]. While notification of the corresponding final endorsement decision has not yet been provided by the relevant competent authority, the European Securities and Markets Authority has indicated that ratings issued in third countries may continue to be used in the EU by relevant market participants for a transitional period ending on 30 April 2012.]]

[[*Insert legal name of relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). The ratings [[have been]/[are expected to be]] endorsed by [*insert the legal name of the relevant EU-registered credit rating agency entity*] in accordance with CRA Regulation. [*Insert the legal name of the relevant EU-registered credit rating agency entity*] is established in the European Union and registered under the CRA Regulation. [As such [*insert the legal name of the relevant EU-registered credit rating agency entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]]

[[*Insert legal name of relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"), but it [[is]/[has applied to be]] certified in accordance with the CRA Regulation[[[EITHER:] and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] [[OR:] although notification of the corresponding certification decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant non-EU credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

[[[*Insert the legal name of the relevant credit rating agency entity*] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as

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amended), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority[ and *[insert the legal name of the relevant credit rating agency entity]* is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation].]

*[[Insert the legal name of the relevant non-EU credit rating agency entity]* is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). However, the application for registration under the CRA Regulation of *[insert the legal name of the relevant EU credit rating agency entity that applied for registration]*, which is established in the European Union, disclosed the intention to endorse credit ratings of *[insert the legal name of the relevant non-EU credit rating agency entity]*[, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and *[insert the legal name of the relevant EU credit rating agency entity]* is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

*[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 specifically allocated to N&C Securities by the relevant credit rating agency).]<sup>17</sup>*

### **3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

[Save for any fees payable to the Dealer [and any Financial Intermediary[(ies)]]], so far as the Issuer is aware, no person involved in the issue of the N&C Securities has an interest material to the offer. *(Amend as appropriate if there are other interests)]*

*[(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**

4.1 Reasons for the offer:

[General corporate purposes]

*(See "Use of Proceeds" wording in Prospectus - if reasons for offer differ from general corporate purposes and/or making profit and/or hedging certain risks, you will need to include those reasons here.)*

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<sup>17</sup> Repeat for each credit rating.

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4.2 Estimated net proceeds: [ ]

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

4.3 Estimated total expenses: [ ]

[Expenses are required to be broken down into each principal intended "use" and presented in order of priority of such "uses".]

*(If the N&C Securities are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at 4.2 and 4.3 above where disclosure is included at 4.1 above.)*

### **5. YIELD - Fixed Rate N&C Securities 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 RATES OF INTEREST - Floating Rate N&C Securities Only**

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

### **7. PERFORMANCE OF REFERENCE ASSET [RATE(S) OF EXCHANGE / FORMULA / CURRENCIES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [RELEVANT ASSET] [THE [EXCHANGE RATE(S)/FORMULA/CURRENCIES]] – Variable Interest Rate N&C Securities And Variable Redemption N&C Securities**

*[If there is a derivative component in the interest or the N&C Securities are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

*(N.B. The requirements below only apply if the N&C Securities are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)*

*[Need to include details of where past and future performance and volatility of the Relevant Asset can be obtained]. [Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. Need to include any adjustment rules in relation to events concerning the underlying (if applicable)]*

*[Where the underlying is an index, include the name of [the/each] 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/each] index can be obtained.]*

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[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base 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. PERFORMANCE OF THE RATES OF EXCHANGE AND, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT - Dual Currency N&C Securities Only**

*If there is a derivative component in the interest or the N&C Securities are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]*

*(N.B. The requirement below only applies if the N&C Securities are derivative securities to which Annex XII of the Prospectus Directive Regulation applies)*

*[Need to include details of where past and future performance and volatility of the relevant rates can be obtained and a clear explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

### **9. OPERATIONAL INFORMATION**

9.1 ISIN Code: [ ]

9.2 Common Code: [ ]

*(insert here any other relevant codes such as CUSIP and CINS numbers)*

9.3 Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* / The Depository Trust Company and the relevant identification number(s): [Not applicable/give name(s) and number(s)]  
[There are no additional clearing systems, provided that bridge accounts at Monte Titoli can be used for transactions on the Italian Stock Exchange.]

[The N&C Securities will also be eligible for CREST via the issue of CREST Depository Interests representing the N&C Securities]

9.4 Delivery: Delivery [against/free of] payment

9.5 Names and addresses of additional Paying Agent(s) (if any): [ ]

9.6 Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] / [No]

[Note that the designation "yes" simply means that the N&C Securities are intended upon issue to be deposited with one of the international central securities depositories ("ICSDs") as common safekeeper and does not necessarily mean that the N&C Securities will be recognised as eligible collateral for

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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 N&C Securities must be issued in NGN form.)*

- 9.7 Governing law: English
- 9.8 Additional investment considerations: [Applicable. See Annex [ ] contained herein]  
[Not Applicable]

*[If applicable, set out in an annex all additional risk factors or other investment considerations applicable to the particular Tranche of N&C Securities to be issued.]*

### **10. TERMS AND CONDITIONS OF THE OFFER**

[Applicable] / [Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)* [The N&C Securities will be offered to the public in each of *[insert jurisdictions where the Base Prospectus has been approved and published and jurisdictions into which it has been passported ("Public Offer Jurisdictions")*] in accordance with the arrangements listed below.]

- 10.1 Offer Price: [Not Applicable] / *[give details]*

- 10.2 [Conditions to which the offer is subject:] [Not Applicable] / *[give details]*

[Offers of the N&C Securities are conditions on their issue and are subject to such conditions as are set out in the [Distribution Agreement]. As between Dealers and their customers (including Financial Intermediaries) or between Financial Intermediaries and their customers, offers of the N&C Securities are further subject to such conditions as may be agreed between them and/or as is specified in any arrangements in place between them.]

- 10.3 [Description of the application process: [Not Applicable] / *[give details]*

- 10.4 Time period, including any possible amendments, during which the offer will be open: [[ ] [a.m.] [p.m.] on [ ] to [ ] [a.m.] [p.m.] on [ ]]

- 10.5 [Details of the minimum and/or maximum amount of application]: [Not Applicable] / *[give details]*

- 10.6 [Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants]: [Not Applicable] / *[give details]*

- 10.7 [Details of the method and time limits for paying up and delivering the N&C Securities:]: [Not Applicable] / *[give details]*

*[NB: Under normal circumstances, on the Issue Date, allocated N&C Securities will be made available to the Dealer(s) / Financial Intermediaries in such account as may be held by them directly or indirectly at Euroclear or Clearstream. Luxembourg.]*

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- 10.8 [Manner in and date on which results of the offer are to be made public:] [Not Applicable] / [give details]  
*[If applicable (i) specify date on which the final size of the issue will be made public and (ii) insert specific details in respect of the method of publication (including, where relevant, details of any advertisements to be published).]*
- 10.9 [Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:] [Not Applicable] / [give details]
- 10.10 [Categories of potential investors to which the N&C Securities are offered and whether tranche(s) have been reserved for certain countries:] [Not Applicable] / [give details]  
[Offers or solicitations may be made by the Dealer(s) in *[insert relevant Public Offer Jurisdictions]* for the period set out in paragraph 10.4 above, to any person *[insert suitability criteria, if any are deemed appropriate pursuant to any applicable conduct of business rules]*. No offer or solicitation in respect of the N&C Securities shall be made by the Dealer(s) except pursuant to an exemption from the obligation under the Prospectus Directive as implemented in such countries to publish a prospectus (a) in any other EEA country or (b) after the period set out in paragraph 10.4 above has ended.]  
*[Other]*
- 10.11 Indication of the expected price at which the N&C Securities will be offered or the method of determining the price and the process for its disclosure: [Not Applicable] [The Issuer has offered and will sell the N&C Securities to the Dealer(s) (and no one else) at the Issue Price of [ ] [less a total commission of [ ]]. The Dealer(s) and Financial Intermediaries will offer and sell the N&C Securities to their customers in accordance with the arrangements in place between each such Dealer and its customers (including the Financial Intermediaries) or each such Financial Intermediary and its customers by reference to the Issue Price and the market conditions prevailing at the time.]  
*[Other]*
- 10.12 [Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:] [Not Applicable] / [give details]  
[Prospective Securityholders will be notified by the relevant Dealer(s) and Financial Intermediary in accordance with the arrangements in place between such Dealer(s) or Financial Intermediary and its customers. Any dealings in the N&C Securities, which take place will be at the risk of the prospective Securityholders.]
- 10.13 Details of any tranche(s) reserved for specific country: [Not Applicable] / [give details]
- 10.14 [Amount of any expenses and taxes specifically charged to the subscriber or purchaser:] [Not Applicable] / [give details]



## *Form of Final Terms for N&C Securities*

- 10.15 Additional information applicable to the terms and conditions of the offer, if any: [Not Applicable] / [give details]
- 10.16 [Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.] [None known to the Issuer] / [give details]

[The Issuer is only offering to and selling to the Dealer(s) pursuant to and in accordance with the terms of the [Distribution Agreement] [Programme Agreement]<sup>18</sup>. All sales to persons other than the Dealer(s) will be made by the Dealer(s) or persons to whom they sell, and/or otherwise make arrangements with, including the Financial Intermediaries. The Issuer shall not be liable for any offers, sales or purchases of N&C Securities to persons (other than in respect of offers and sales to, and purchases of, N&C Securities by the Dealer(s) and only then pursuant to the [Distribution Agreement] [Programme Agreement], which are made by the Dealer(s) or Financial Intermediaries in accordance with the arrangements in place between any such Dealer or any such Financial Intermediary and its customers.]

[[Each [of] the Dealer(s) has acknowledged and agreed, and any Financial Intermediary will be required by the Dealer(s) to acknowledge and agree, that for the purpose of offer(s) of the N&C Securities, the Issuer has passported the Base Prospectus in each of the Public Offer Jurisdictions and will not passport the Base Prospectus into any other European Economic Area Member State; accordingly, the N&C Securities may only be publicly offered in Public Offer Jurisdictions or offered to Qualified Investors (as defined in the Prospectus Directive) in any other European Economic Area Member States and that all offers of N&C Securities by it will be made only in accordance with the selling restrictions set forth in the Prospectus and the provisions of these Final Terms and in compliance with all applicable laws and regulations.]]

*For Italian Securities offered to the public in Italy, include (i) yield scenarios i.e. positive scenario, intermediate scenario and worse-case scenario; (ii) back-testing simulation; (iii) comparison with a risk free product with similar maturity; and (iv) the source of all third party information.*

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<sup>18</sup> Delete as applicable depending on whether syndicated trade or not.

## ***Form of Final Terms for N&C Securities***

*[(The following language applies if the Final Terms relate to N&C Securities that have been determined based on issues arising under the CEA not to be eligible for offer, sale, resale, transfer, pledge or delivery in the United States or to, or for the account or benefit of, U.S. persons.)]*

*[Additional disclosure to be inserted in the case of Physical Delivery N&C Securities]*

### **PART C – IMPORTANT NOTICE TO PURCHASERS AND TRANSFEREES**

The N&C Securities have not been and will not be registered under the Securities Act, and trading in the N&C Securities has not been approved by the CFTC under the CEA. No N&C Securities, or interests therein, may at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person.

Offers, sales, resales or deliveries of the N&C Securities, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons would constitute a violation of United States securities laws unless made in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom. In addition, in the absence of relief from the CFTC, offers, sales, resales, transfers, pledges or deliveries of the N&C Securities, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading.

As used herein, "**United States**" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and "U.S. person" means (i) an individual who is a citizen or resident of the United States; (ii) a corporation, partnership or other entity organised in or under the laws of the United States or any political subdivision thereof or which has its principal place of business in the United States; (iii) any estate or trust which is subject to United States federal income taxation regardless of the source of its income; (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and if one or more United States trustees have the authority to control all substantial decisions of the trust (or any trust which elected to be treated as a United States person prior to 20th August 1996); (v) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (ii) above; (vi) any entity organised principally for passive investment, 10 per cent. or more of the beneficial interests in which are held by persons described in (i) to (v) above if such entity was formed principally for the purpose of investment by such persons in a commodity pool the operator of which is exempt from certain requirements of Part 4 of the CFTC's regulations by virtue of its participants being non-U.S. persons; or (vii) any other "U.S. person" or person that is not a "non-United States person" as either such term may be defined in Regulation S under the Securities Act or in regulations adopted under the CEA.

#### **Notice to Purchasers and Holders of Restricted Securities and Transfer Restrictions**

Each purchaser of the N&C Securities will, by its purchase of the N&C Securities, be deemed to acknowledge, represent and agree as follows:

- (a) that trading in the N&C Securities has not been and will not be approved by the CFTC under the CEA;
- (b) that it will not at any time offer, sell, resell or deliver, directly or indirectly, any N&C Securities so purchased in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person;
- (c) that it is not purchasing any N&C Securities for the account or benefit of any U.S. person;
- (d) that it will not make offers, sales, resales or deliveries of any N&C Securities (otherwise acquired), directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person;
- (e) that it will send each person who purchases N&C Securities from it a written confirmation (which shall include the definitions of United States and U.S. person set forth herein) stating that the N&C Securities have not been registered under the Securities Act, that trading in the N&C Securities has not been approved by the CFTC under the CEA and stating that such purchaser agrees that it will not at any time offer, sell, resell or deliver any of such N&C Securities, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person; and
- (f) that no U.S. person or person in the United States may at any time trade or maintain a position in the N&C Securities.]

*Renouncement Notice*

**[PART D – RENOUNCEMENT NOTICE**

**FORM OF NOTICE FROM BENEFICIAL OWNER TO FINANCIAL INTERMEDIARY**

**NOTICE FROM THE BENEFICIAL OWNER TO HIS/HER FINANCIAL INTERMEDIARY**  
(to be completed by the holder of the relevant Italian SeDeX Securities for the valid renouncement of automatic exercise of such Italian SeDeX Securities)

**ABBHEY NATIONAL TREASURY SERVICES PLC**

*[insert title of Italian SeDeX Securities]*

ISIN: [●]  
(the "N&C Securities")

To: *[Financial Intermediary]*  
(the "**Financial Intermediary**")

Information with regard to the N&C Securityholder:

Name: [●]

Street and no.: [●]

City: [●]

Country: [●]

Telephone no.: [●]

We, the undersigned beneficial owner(s) of the N&C Securities, hereby communicate that we are renouncing the automatic exercise of the rights granted by the N&C Securities in accordance with the General Terms and Conditions of the N&C Securities, as amended and/or supplemented by any applicable Technical Annex (as the case may be) and the Final Terms (the "**Conditions**"). Expressions defined in the Conditions shall bear the same meanings in this Renouncement Notice.

ISIN Code/Series number of the N&C Securities: [●]

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

The undersigned understands that if this Renouncement Notice is not duly completed and delivered as provided in the Conditions or is determined to be incomplete or not in proper form (in the determination of the Financial Intermediary, in consultation with the Issuer and the Paying Agent), it will be treated as null and void.

If this Renouncement Notice is subsequently corrected to the satisfaction of the Financial Intermediary (in consultation with the Issuer and the Paying Agent), it will be deemed to be a new Renouncement Notice submitted at the time of such correction was delivered to the Financial Intermediary.

***Renouncement Notice***

Name of beneficial owner of the N&C Securities

\_\_\_\_\_

*Signature*

cc

Issuer

[Abbey National Treasury Services plc, 2 Triton Square, Regent's Place, London, NW1 3AN]

Paying Agent

[Citibank, N.A., Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB]

## *Form of Final Terms for Warrants*

### FORM OF FINAL TERMS FOR WARRANTS

#### APPLICABLE FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of Warrants issued under the Programme pursuant to this Prospectus.*

#### PLEASE CAREFULLY READ THE RISK FACTORS IN THE PROSPECTUS

**EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN FINANCIAL AND LEGAL ADVISORS ABOUT THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE WARRANTS AND THE SUITABILITY OF AN INVESTMENT IN THE WARRANTS IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES**

[Date]

### **Abbey National Treasury Services plc**

*Issue of [Aggregate Number of Tranche] [Title of Warrants]  
(the "Warrants")*

### **Guaranteed by Santander UK plc**

under the Note, Certificate and Warrant Programme  
(the "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 Warrants in any Member States of the European Economic Area (each, a "**Relevant Member State**") which has implemented the Prospectus Directive (2003/71/EC) (the "**Prospectus Directive**") 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 Warrants. Accordingly, any person making or intending to make an offer of the Warrants 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 35 of Part A below, provided such person is one of the persons mentioned in Paragraph 35 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 Warrants in any other circumstances.<sup>19</sup>

[The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Warrants in any Member State of the European Economic Area (each, a "**Relevant Member State**") which has implemented the Prospectus Directive (2003/71/EC) (the "**Prospectus Directive**") 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 Warrants. Accordingly, any person making or intending to make an offer in that Relevant Member State of the Warrants 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 relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Warrants in any other circumstances.]<sup>20</sup>

<sup>19</sup> Consider including this legend where a non-exempt offer of Warrants is anticipated.

<sup>20</sup> Consider including this legend where only an exempt offer of Warrants is anticipated.

## ***Form of Final Terms for Warrants***

[The Warrants to be issued have been rated *[insert details]* by *[insert details]*. [Each] [S/s]uch credit rating agency is established in the European Union and has been registered under Regulation (EU) No 1060/2009 (the **CRA Regulation**). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation.]

### **PART A– CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions of the Warrants together with the applicable Technical Annex(es) (the "**Conditions**") set forth in the Prospectus dated 5 April 2012 [and the supplement[s] to it dated *[date(s)]*] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Warrants described herein for the purposes of Article 5.4 of the [Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Prospectus [as supplemented]. Full information on the Issuer, the Guarantor and the offer of the Warrants is only available on the basis of the combination of these Final Terms and the Prospectus [as supplemented]. The Prospectus [and the supplement[s] to it] [is/are] available for viewing [during normal business hours at the specified office of [Citibank, N.A., London Branch] acting as Principal Warrant Agent and copies may be obtained from the registered office of the Issuer and the Guarantor]. In the event of any inconsistency between the Conditions and the Final Terms, these Final Terms prevail.]

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

Terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions (the "**Warrant Conditions**"), together with the applicable Technical Annex(es) (the "**Conditions**") set forth in the Prospectus dated *[original date]*. This document constitutes the Final Terms of the Warrants described herein for the purposes of Article 5.4 of the [Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read in conjunction with the Prospectus dated *[current date]* 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]* and are incorporated by reference in the Prospectus dated *[current date]*. Full information on the Issuer, the Guarantor and the offer of the Warrants is only available on the basis of the combination of these Final Terms and the Prospectus dated *[current date]*. Copies of such Prospectus are available for viewing [during normal business hours at the specified office of the [Citibank, N.A., London Branch] acting as Principal Warrant Agent and copies may be obtained from the registered office of the Issuer and the Guarantor]. In the event of any inconsistency between the Conditions and the Final Terms, these Final Terms prevail.]]<sup>21</sup>

[Terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions of the Warrants together with the applicable Technical Annex(es) (the "**Conditions**") set forth in the listing particulars dated 5 April 2012 [and the supplement[s] to it dated *[date(s)]*] which [together] constitute[s] a listing particulars ("**Listing Particulars**") for the purposes of listing on the Global Exchange Market. This document constitutes the pricing supplement ("**Pricing Supplement**") of the Warrants described herein for the purposes of listing on the Global Exchange Market and must be read in conjunction with the Listing Particulars [as supplemented]. Full information on the Issuer, the Guarantor and the offer of the Warrants is only available on the basis of the combination of this Pricing Supplement and the Listing Particulars [as supplemented]. The Listing Particulars [and the supplement[s] to it] [is/are] available for viewing [during normal business hours at the specified office of [Citibank, N.A., London Branch] acting as Principal Warrant Agent and copies may be obtained from the registered office of the Issuer and the Guarantor]. In the event of any inconsistency between the Conditions and the Pricing Supplement, the Pricing Supplement will prevail.]

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

[Terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions (the "**Warrant Conditions**"), together with the applicable Technical Annex(es) (the "**Conditions**") set forth in the listing particulars dated *[original date]*. This document constitutes the pricing supplement ("**Pricing Supplement**") of the Warrants described herein for the purposes of listing on the Global Exchange Market and must be read in conjunction with the listing particulars dated *[current date]* which constitutes a listing particulars ("**Listing Particulars**") for the purposes of listing on the Global Exchange Market, save in respect of

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<sup>21</sup> Insert in the case of an issue of Warrants other than in the case of Warrant admitted to the Irish Stock Exchange's Global Exchange Market.

## ***Form of Final Terms for Warrants***

the Conditions which are extracted from the listing particulars dated [*original date*] and are incorporated by reference in the Listing Particulars dated [*current date*]. Full information on the Issuer, the Guarantor and the offer of the Warrants is only available on the basis of the combination of this Pricing Supplement and the Listing Particulars dated [*current date*]. Copies of such Listing Particulars are available for viewing [during normal business hours at the specified office of the [Citibank, N.A., London Branch] acting as Principal Warrant Agent and copies may be obtained from the registered office of the Issuer and the Guarantor]. In the event of any inconsistency between the Conditions and the Pricing Supplement, the Pricing Supplement will prevail.]<sup>22</sup>

The Warrants [and the Entitlement]<sup>23</sup> have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or under any state securities laws, and the Warrants may not be offered, sold, transferred, pledged, delivered, redeemed, directly or indirectly, at any time within the United States or to, or for the account or benefit of, or by, any U.S. person (as defined herein). Furthermore, trading in the Warrants has not been approved by the U.S. Commodity Futures Trading Commission (the "**CFTC**") pursuant to the U.S. Commodity Exchange Act, as amended (the "**CEA**"), and no U.S. person may at any time trade or maintain a position in the Warrants. For a description of the restrictions on offers and sales of Warrants, see Part C attached hereto and "*Notice to Purchasers and Holders of Warrants and Transfer Restrictions*" and "*Subscription and Sale*" in the Prospectus.

The exercise of the Warrants will be conditional upon the holder (and any person on whose behalf the holder is acting) being a non-U.S. Person.

For the purposes hereof, "U.S. person" means (i) an individual who is a citizen or resident of the United States; (ii) a corporation, partnership or other entity treated as a corporation or partnership for United States federal income tax purposes, created or organised in or under the laws of the United States, any State thereof or the District of Columbia, or which has its principal place of business in the United States; (iii) any estate or trust which is subject to United States federal income taxation regardless of the source of its income; (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and if one or more United States trustees have the authority to control all substantial decisions of the trust (or any trust which elected to be treated as a United States person prior to 20 August 1996); (v) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (ii) above; (vi) any entity organised principally for passive investment, 10 per cent. or more of the beneficial interests in which are held by persons described in (i) to (v) above if such entity was formed principally for the purpose of investment by such persons in a commodity pool the operator of which is exempt from certain requirements of Part 4 of the CFTC's regulations by virtue of its participants being non-U.S. persons; or (vii) any other "U.S. person" or person that is not a "non-United States person" as either such term may be defined in Regulation S under the Securities Act or in regulations adopted under the CEA.

*[Include whichever of the following apply or specify as "Not Applicable" or "N/A". Warrant that the numbering should remain as set out below, even if "Not Applicable" or "N/A" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing any Final Terms or 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.]*

*[No person has been authorised to give any information or make any representation not contained in or not consistent with these Final Terms, or any other information supplied in connection with the Warrants and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any Dealer.]*

*[By investing in the Warrants each investors is deemed to represent that:*

- (a) ***Non-Reliance.*** *It is acting for its own account, and it has made its own independent decisions to invest in the Warrants and as to whether the investment in the Warrants is appropriate or proper for it based upon its own judgement and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the Issuer, the Guarantor or any Dealer as investment advice or as a recommendation to invest in the Warrants, it being understood that information and explanations related to the terms and conditions of the Warrants shall not be considered to be investment*

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<sup>22</sup> Insert in the case of an issue of Warrants that are to be admitted to the Irish Stock Exchange's Global Exchange Market.

<sup>23</sup> Include in the case of Physical Delivery.

## **Form of Final Terms for Warrants**

advice or a recommendation to invest in the Warrants. No communication (written or oral) received from the Issuer, the Guarantor or any Dealer shall be deemed to be an assurance or guarantee as to the expected results of the investment in the Warrants.

(b) **Assessment and Understanding.** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts the terms and conditions and the risks of the investment in the Warrants. It is also capable of assuming, and assumes, the risks of the investment in the Warrants.

(c) **Status of Parties.** None of the Issuer, the Guarantor and any Dealer is acting as fiduciary for or adviser to it in respect of the investment in the Warrants.]

- |    |     |                                       |   |
|----|-----|---------------------------------------|---|
| 1. | 1.1 | Issuer:                               | Abbey National Treasury Services plc  |
|    | 1.2 | Guarantor:                            | Santander UK plc  |
| 2. | 2.1 | Series Number:                        | [ ]   |
|    | 2.2 | Tranche Number:                       | [ ]   |
|    | 2.3 | Consolidation:                        | [The Warrants are to be consolidated and form a single series with [insert title of relevant series of Warrants] issued on [insert issue date]] / [Not Applicable]  |
|    |     |                                       | <i>(If fungible with an existing Series, insert details of that Series, including the date on which the Warrants become fungible)</i>   |
|    | 2.4 | Trading Method:                       | Unit  |
| 3. |     | Applicable Technical Annex(es):       | [Not Applicable] / [Currency] / [Equity] / [Equity Index] / [Funds] / [Inflation] / [Property] / [specify other]  |
| 4. | 4.1 | Specified Currency or Currencies:     | [ ]   |
|    | 4.2 | Currency Adjustment:                  | [Applicable]/[Not Applicable]   |
|    |     |                                       | <i>[Specify as applicable where a composite option (FX exposure on the underlying Relevant Assets) is envisaged. If applicable, the relevant prompts in paragraph 22 below should be completed. Alternatively, specify as "not applicable" where a quanto option (no FX exposure on the underlying Relevant Assets) is envisaged.</i> |
| 5. |     | Aggregate Issue Size:                 |   |
|    | 5.1 | Series:                               | [ ] Units   |
|    | 5.2 | Tranche:                              | [ ] Units   |
|    | 5.3 | Aggregate Proceeds Amount of Tranche: | [Specify currency] [ ]  |
|    |     |                                       | <i>[Specify gross proceeds of Tranche without deduction of fees and commissions]</i>  |
| 6. | 6.1 | Unit Issue Price of Tranche:          | [ ] per Unit  |
|    | 6.2 | Unit Value on Issue:                  | [ ] per Unit  |



## ***Form of Final Terms for Warrants***

Investors should note that the value of a Unit in the secondary market or on redemption may be less than the Unit Value on Issue.

- 6.3 Minimum Tradeable Size: [ ] Unit(s)
- 6.4 Multiple Tradeable Size: [ ] Unit(s)
7. 7.1 Issue Date: [*specify date*]
- 7.2 Settlement Date: [*specify date*]
8. Type of Warrants:
- 8.1 Type: The Warrants are [Equity Index Linked Warrants / Equity Linked Warrants / Currency Linked Warrants / Commodity Linked Warrants / Debt Linked Warrants / Fund Linked Warrants / Inflation Index Linked Warrants / Property Index Linked Warrants / (*specify other type of Warrants*)].
- 8.2 Warrant Style: The Warrants are [European / American / Bermudan / (*specify other*)] Style Warrants.
- 8.3 Call / Put: The Warrants are [Call Warrants / Put Warrants / (*specify other*)].
- 8.4 Relevant Asset: The Warrants relate to [*describe relevant Index / Indices / Shares / Currencies / Commodities / Debt Instrument / Fund(s) / Property Indices / (specify other)*].

### **PROVISIONS RELATING TO EXERCISE**

9. Minimum Exercise Number: The minimum number of Warrants that may be exercised (including automatic exercise) on any day by any Warrantholder is [●] [and Warrants may be exercised (including automatic exercise) in integral multiples of [●] Warrants in excess thereof].
10. Maximum Exercise Number: The maximum number of Warrants that may be exercised on any day by any Warrantholder or group of Warrantholders (whether or not acting in concert) is [●] (*N.B. Not Applicable for European Style Warrants*).
11. Exercise Price(s): The [exercise price(s) per Warrant/aggregate exercise price per Unit] (which may be subject to adjustment in accordance with the Conditions and/or these Final Terms) is [●]. (*N.B. This should take into account any relevant weighting and in the case of an index linked Warrant, must be expressed as a monetary value*)
12. Exercise Date(s): The exercise date[s] of the Warrants [is] [are] [ ]. (*N.B. only single Exercise Date in relation to European Style Warrants*)

[*In respect of European style auto-callable Warrants, insert: The exercise date of the Warrants will be (i) [●] or (ii) if earlier, the date on which a [Knock-Out Event] [Trigger Event][insert other events] occurs or, in each case, if such date is not an Exercise*

## Form of Final Terms for Warrants

Business Day the Exercise Date shall be the immediately [preceding] [succeeding] Exercise Business Day.]

[In respect of auto-callable Warrants, insert the following otherwise delete:

12.1 [Knock-Out Event] [Trigger Event][specify other event] [A [Knock-Out Event] [Trigger Event] [specify other] occurs if on any [Scheduled Observation Date] [Scheduled Trading Day during the Observation Period], the Calculation Agent determines that the Settlement Price is [equal to or lower/greater] than the [Knock-Out Level] [Trigger Level]]

12.2 [Knock-out] / [Trigger] / [other] Level: [●]

[N.B. Auto-callable warrants should be cash settled only]

12.3 Other terms or special conditions: [Insert as Applicable]

13. Exercise Period: [The exercise period in respect of the Warrants is [from (and including) [●] up to (and including) [●]] [,or if either day is not an Exercise Business Day, the immediately [succeeding] Exercise Business Day] / [Not Applicable] (N.B. Only applicable in relation to American Style Warrants)

14. Automatic Exercise: Automatic exercise [applies / does not apply] to the Warrants.

[N.B. Specify as "Applicable" for (i) auto-callable Warrants and/or (ii) Warrants which are retail securitised derivatives admitted to the Official List of the UK Listing Authority]

### PROVISIONS RELATING TO SETTLEMENT

15. Settlement: Settlement will be by way of [cash payment ("Cash Settled Warrants")] [and/or] [physical delivery ("Physical Delivery Warrants")].

16. Variation of Settlement:

16.1 Issuer's option to vary settlement: The Issuer [has/does not have] the option to vary settlement in respect of the Warrants.

16.2 Variation of Settlement of Physical Delivery Warrants: [Notwithstanding the fact that the Warrants are Physical Delivery Warrants, the Issuer may make payment of the Cash Settlement Amount on the Settlement Date and the provisions of Warrant Condition 4.4 will apply to the Warrants.] / [The Issuer will procure delivery of the Entitlement in respect of the Warrants and the provisions of Warrant Condition 4.4 will not apply to the Warrants.]

17. Cash Settled Warrants: [Applicable] / [Not Applicable]

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

## ***Form of Final Terms for Warrants***

- 17.1 Cash Settlement Amount: [As specified in Warrant Condition 4.2] The Cash Settlement Amount per [Warrant/Unit] will be [●] [*specify calculation method*]
- 17.2 Settlement Price: [As specified in Warrant Condition 4.7] [*N.b. Warrant Condition 4.7 refers to Equity Index Linked Warrants, Equity Linked Warrants and Currency Linked Warrants only. For (i) all other types of Warrants (including Fund Linked Warrants, Inflation Index Linked Warrants and Property Index Linked Warrants) and (ii) Equity Index Linked Warrants, Equity Linked Warrants and Currency Linked Warrants for which the Settlement Amount is other than as specified in Warrant Condition 4.7, insert: The settlement price per [Warrant/aggregate settlement price per Unit] will be [●] [specify calculation method]*]
- 17.3 Unit Nominal Amount: The nominal amount per Unit which is to be used to determine the Cash Settlement Amount pursuant to Warrant Condition 4.2 is [●]
- 17.4 Multiplier: [The multiplier to be applied to each item comprising the basket to ascertain the Settlement Price is [●].] (*N.B. Only applicable in relation to Cash Settled Warrants relating to a basket*)
- 17.5 Settlement Currency: The settlement currency for the payment of [the Cash Settlement Amount] is [●].
- 17.6 Exchange Rate: The applicable rate of exchange for conversion of any amount into the relevant settlement currency for the purposes of determining the Settlement Price (as defined in Warrant Condition 4.7) or the Cash Settlement Amount (as defined in Warrant Condition 4.2) is [*insert rate of exchange and details of how and when such rate is to be ascertained*] / [*specify*] / [Not Applicable].
- 17.7 Rounding: [Rounded up] / [Rounded down] / [*specify other*]
- 17.8 Settlement Date: [As specified in Warrant Condition 4.7] / [*specify other*]
18. Physical Delivery Warrants: [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- 18.1 Relevant Asset(s): The relevant asset to which the Warrants relate [is/are] [●].
- 18.2 Entitlement: The Entitlement (as defined in Warrant Condition 4.7) in relation to each Warrant is [            ].
- The Entitlement will be evidenced by [*insert details of how the Entitlement will be evidenced*].
- The Entitlement will be delivered [*insert details of the method of delivery of the Entitlement*].

## *Form of Final Terms for Warrants*

- 18.3 Settlement Currency: The settlement currency for the payment of [the Disruption Cash Settlement Price] [the Failure to Deliver Settlement Price] [the Assessed Value Payment Amount] is [●].
- 18.4 Settlement Date: The settlement date for the Warrants is [●].
- 18.5 Settlement Business Day: For the purposes of Warrant Condition 1(a)(i)(a)(A)(6) means [●]
19. Business Day Centre(s): The applicable Business Day Centre(s) for the purposes of the definition of "Business Day" in Warrant Condition 4 [is/are] [ ].
20. Business Day Convention: [Following] / [Modified Following]
21. Issuer Early Cancellation: [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- 21.1 Issuer Early Cancellation Dates: [●]
- 21.2 Issuer Early Cancellation Amount and method, if any, of calculation of such amount(s): [●]
- 21.3 Notice Period (if other than as set out in the Warrant Conditions): [●]
- (N.B. If setting notice periods which are different from those provided in the Warrant 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 Issuer and the Principal Warrant Agent)*

### **PROVISIONS RELATING TO THE TYPE OF WARRANTS**

22. **Currency Linked Warrants:** [Applicable] / [Not Applicable]
- (if not applicable delete the remainder of this paragraph)*
- [Currency Adjustment Only:] [Applicable] *(if Applicable delete the remainder of this paragraph)*
- 22.1 Settlement Date Extension: [Applicable] / [Not Applicable]
- 22.2 (a) Specified Rate(s), Base and Reference Currencies: [Applicable] / [Not Applicable]
- [Insert each Specified Rate in relation to each Valuation Date or Averaging Date or other relevant date and Valuation Time, including whether bid, offer or market average rate, if applicable - e.g. as set out below - and repeat as necessary in relation to each Specified Rate. If applicable, insert all provisions for calculation of each Currency Pair, including each First Currency and Second Currency. If using any different formulation ensure consistency with Valuation Date and Averaging Date where Currency Reference Dealers may provide the quotations. "The*

## Form of Final Terms for Warrants

- Specified Rate in relation to the [specify Valuation Date, Averaging Date or other relevant date] means the rate at which the Reference Currency [NB set out definition] could be exchanged for the Base Currency, expressed as the number of units of the Reference Currency (or part thereof) for which one unit of the Base Currency could be exchanged as quoted by the relevant FX Price Source at or about the Valuation Time on such [specify relevant Valuation Date, Averaging Date or other relevant date], subject to the Currency Linked Conditions.]*
- (b) Local Currency: *[Specify each Local Currency, for purposes of General Inconvertibility, Specific Inconvertibility, General Non-Transferability or Specific Non-Transferability or Special Taxation Event.]*
- 22.3 NDF Currency(ies): [Applicable] / [Not Applicable]
- [Specify each relevant NDF Currency] [If applicable, specify each relevant NDF currency. For example, ARS, BRL, CLP, COP, etc. If not applicable, delete the remaining sub-paragraphs of this paragraph. If applicable, insert: See Annex (Special Conditions) contained herein]*
- (a) Unscheduled Holiday: *[Specify meaning in accordance with applicable emerging market trading association templates]*
- (b) Specified NDF Maximum Days of Disruption: [ ] calendar days
- (c) First Fallback FX Price Source: [See item 22.6 below/Not Applicable]
- (d) Second Fallback FX Price Source: [Not Applicable]/[Give details]
- 22.4 Key Dates:
- (a) Trade Date: [ ]
- (b) Valuation Date: [ ]
- (c) Initial Valuation Date: [ ]
- (d) Scheduled Observation Date(s): [ ]
- (e) Observation Period: [ ]
- (f) Final Valuation Date: [ ] [Not Applicable]
- (g) Specified Maximum Days of Disruption: [See Currency Linked Condition 6]/[insert number] FX Business Days]
- 22.5 Averaging: Averaging [applies/does not apply] to the Warrants. [The Averaging Dates are [ ].]
- [In the event that an Averaging Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply.]

## ***Form of Final Terms for Warrants***

- 22.6 FX Price Source(s): *[Specify in relation to each Specified Rate including Bloomberg Screen, Reuters Screen and/or Screen Page if applicable. Include each of (i) primary FX Price Source and (ii) the Fallback FX Price Source or First Fallback FX Price Source if relevant, making clear when fallback to (ii) occurs]*
- 22.7 Valuation Time: *[Specify in relation to each Specified Rate]*
- 22.8 Principal Financial Centres: (For the purposes of determining the FX Business Day) *[Specify for the purposes only of FX Business Day]*
- 22.9 Disruption Fallback: *[Currency Reference Dealer Quotation] [Fallback Reference Price] [Valuation Postponement] [Calculation Agent Determination] [specify and set out provisions for any other] N.B. specify in the order the Disruption Fallbacks should apply and ensure Calculation Agent Determination is specified last. These will apply to both Valuation Dates and Averaging Dates.]*
- 22.10 Additional Disruption Events other than as specified in the Currency Linked Conditions: *[Specify any other Additional Disruption Events not set out in the Currency Technical Annex]*
- 23. Equity Linked Warrants** *[Applicable] / [Not Applicable]*
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- 23.1 Whether the Warrants relate to a single share or a basket of shares (each a "**Share**"): *[Single Share] / [Basket of Shares]*
- 23.2 Share(s) and Share Company(ies): *[Name of Share]*
- (a) Bloomberg Code: [ ]
- (b) ISIN Code: [ ]
- (Give or annex details of the Share(s) and Share Company(ies))*
- 23.3 Key Dates:
- (a) Trade Date: [ ]
- (b) Valuation Date: [ ]
- (c) Initial Valuation Date: [ ] / [Not Applicable]
- (d) Scheduled Observation Date(s): [ ] / [Not Applicable]
- (e) Observation Period: [ ] / [Not Applicable]
- (f) Final Valuation Date: [ ] / [Not Applicable]
- (g) Cut-off Date: [ ] / [Not Applicable]

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- [Specify calendar date (e.g. that is at least 10 Business Days prior to Scheduled Maturity Date)]*
- (h) Specified Maximum Days of Disruption: *[See Equity Linked Condition 10]/[specify number] Scheduled Trading Days*
- 23.4 Averaging: Averaging *[applies/does not apply]* to the Warrants. *[The Averaging Dates are [ ].]*
- [In the event that an Averaging Date is a Disrupted Day [Omission/Postponement /Modified Postponement] will apply.]*
- 23.5 Exchange(s): The relevant Exchange[s] *[is/are] [ ]*
- 23.6 Related Exchange: *[specify] / [All Exchanges]*
- 23.7 Exchange Business Day: *[Exchange Business Day (Single Share Basis)] / [Exchange Business Day (All Shares Basis)] / [Exchange Business Day (Per Share Basis)]*
- 23.8 Scheduled Trading Day: *[Scheduled Trading Day (Single Share Basis)] / [Scheduled Trading Day (All Shares Basis)] / [Scheduled Trading Day (Per Share Basis)]*
- 23.9 Relevant Time: *[Scheduled Closing Time]/[The relevant time is [ ], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.]*
- 23.10 Additional Disruption Events: (a) *[The following Additional Disruption Events apply to the Warrants:]*
- Specify any additional events not set out in the Equity Technical Annex and give details:*
- (b) Stop-Loss Event: *[Applicable]/[Not Applicable]*
- (If applicable, specify all details necessary for the definition of Stop-Loss Event in Equity-Linked Condition [10], including the time for the determination of Share price, nature of Share price, Strike Date, Strike Price (or Benchmark Price) and relevant percentage(s))*
- 23.11 Additional Extraordinary Events: *[Applicable] / [Not Applicable]*
- (If applicable, give details (e.g. De-Merger, Participation Event, Illiquidity))*
- 23.12 Share Substitution: *[Applicable] / [Not Applicable]*
- 23.13 Tender Offer: *[Applicable] / [Not Applicable]*
- 23.14 Depositary Receipt provisions: *[Applicable] / [Not Applicable]*
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*

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- (a) Details of Depositary Receipt: [specify name and ISIN code]
- (b) Underlying Shares: [specify the shares underlying the depositary receipts]
- (c) Underlying Share Issuer: [specify the name of the underlying share issuer]
- (d) Share Exchange: [specify – exchange for underlying shares]

23.15 Adjustments for Dividend Amounts and Extraordinary Dividends (specify all that are applicable and insert all operative provisions required): [Applicable] / [Not Applicable]  
*(If applicable insert relevant provisions, which may use Equity Linked Condition 8 provisions)*

- (a) Dividend Amount: [Record Amount] / [Ex Amount] / [Paid Amount] / [Other – give details]
- (b) Dividend Payment Date: [ ]
- (c) Dividend Period: [First Period] / [Second Period]
- (d) Extraordinary Dividend: [ ] / [Not Applicable]
- (e) Excess Dividend Amount: [Extraordinary Dividend Record Amount] / [Extraordinary Dividend Ex Amount] / [Extraordinary Dividend Paid Amount] / [Other – give details]

23.16 Other terms or special conditions: [ ]

**24. Equity Index Linked Warrants** [Applicable] / [Not Applicable]

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

24.1 Whether the Warrants relate to single index or a basket of indices and the identity of the relevant Index/Indices: [Single index] / [Basket of indices]

*(Give or annex details of index / indices)*

24.2 Index Level: Closing Level] / [Intraday Level] / [The Index Level will be calculated [insert calculation method including weightings if applicable] / [specify other]

24.3 Key Dates:

- (a) Trade Date: [ ]
- (b) Valuation Date: [ ]
- (c) Initial Valuation Date: [ ] / [Not Applicable]
- (d) Scheduled Observation Date(s): [ ] / [Not Applicable]
- (e) Observation Period: [ ] / [Not Applicable]



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- (f) Final Valuation Date: [ ] / [Not Applicable]
- (g) Specified Maximum Days of Disruption: [See Equity Index Linked Condition 7]/[specify number] Scheduled Trading Days]
- 24.4 Averaging: Averaging [applies/does not apply] to the Warrants. [The Averaging Dates are [ ].]
- [In the event that an Averaging Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply.]
- 24.5 Index Sponsor: [The relevant Index Sponsor[s] [is/are] [ ]]
- 24.6 Exchange(s) [The relevant Exchange[s] [is/are] [ ]]
- 24.7 Related Exchange: [specify] / [All Exchanges]
- 24.8 Exchange Business Day [Exchange Business Day (Single Index Basis)] / [Exchange Business Day (All Indices Basis)] / [Exchange Business Day (Per Index Basis)]
- 24.9 Scheduled Trading Day [Scheduled Trading Day (Single Index Basis)] / [Scheduled Trading Day (All Indices Basis)] / [Scheduled Trading Day (Per Index Basis)]
- 24.10 Relevant Time: [Scheduled Closing Time]/[The relevant time is [ ], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.]
- 24.11 Additional Disruption Events: [As per the Equity Index Linked Conditions]/[The following Additional Disruption Events apply to the Warrants:] (give details)
- 24.12 Additional Index Adjustment Events: [If applicable, specify, otherwise delete this paragraph]
- 24.13 Other terms or special conditions: [ ]
- 25. Fund Linked Warrants:** [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph) (If applicable, in the case of American Style or Bermudan Style Warrants consider any relevant amendments required in the Fund Linked Conditions to reflect the nature of such Warrants)*
- 25.1 Settlement Date Extension: [Applicable] / [Not Applicable]
- 25.2 Reference Fund(s): [If more than one Reference Fund, insert the following:
- [ ] ("Reference Fund 1")
- [ ] ("Reference Fund 2")

**Form of Final Terms for Warrants**

[NB: *complete and number accordingly in relation to additional Reference Funds. Also repeat relevant information in 25.2 – 25.8 below inclusive and any other relevant item in respect of each Reference Fund, specifying "In relation to Reference Fund [1]" or similar in relation to the relevant information.*

*If more than three Reference Funds, annex the details.]*

- 25.3 (a) Fund Interest: [Give details]
- (b) Fund Interest Unit(s): [Class [ ] shares] in [the Reference Fund] [Reference Fund 1]  
[Class [ ] shares] in [Reference Fund 2]
- [If more than three Fund Interest Units, annex the details.]*

25.4 Reference Fund(s) Management and Administration

- (a) Fund Adviser: [ ]
- (b) Fund Administrator(s): [ ]
- (c) Fund Custodian: [ ]
- (d) Other Fund Service Provider(s): [ ] / [Not Applicable]
- (e) Key Person(s): [ ] / [Not Applicable]

- 25.5 Fund Documents: [ ]

[NB: *Specify details of the prospectus - See Fund Linked Condition [6] of the Funds Technical Annex]*

25.6 Key Dates:

- (a) Provisions for Valuation: *In relation to each of items 25.6(b)(i), (ii) and (iv) (if applicable), add wording substantially as follows:*

[Each such date shall be deemed to be a [Valuation/Averaging] Date for the purposes of determining [any Settlement Date Extension pursuant to Fund Linked Condition [2] [and/or] [the consequences of any such day not being a Fund Business Day]

- (b) Valuation Date: [ ]
- (i) Initial Valuation Date: [ ] / [Not Applicable]
- (ii) Scheduled Observation Date(s): [ ] / [Not Applicable]
- (iii) Observation Period: [ ] / [Not Applicable]
- (iv) Final Valuation Date: [ ] / [Not Applicable]

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- (c) Other Dates:
- (i) Trade Date: [Issue Date]
  - (ii) Reference Fund [ ]  
Subscription Date:
  - (iii) Subscription Notice [ ] / [Not Applicable]  
Date:
  - (iv) Fund Valuation Date: [ ] [specify in relation to Valuation Date or Averaging Date]
  - (v) Fund Reporting Date(s): [ ] / [Generally expected to fall on the last Fund Business Day of the calendar month]
  - (vi) Redemption Notice [ ] [specify in relation to Valuation Date or Averaging Dates]  
Date:
  - (vii) Scheduled Redemption [Specify/Not Applicable]  
Payment Date:
  - (viii) Cut-off Period/Final [ ] [Specify Cut-Off Period and Final Cut-off Date, if any]  
Cut-Off Date:
- 25.7 Averaging: Averaging [applies/does not apply] to the Warrants. [The Averaging Dates are [ ].]  
  
[In the event that an Averaging Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply.]
- 25.8 Valuation Method: [Deemed Payout Method]/[Reported Value Method]
- 25.9 Valuation Time: [Not Applicable/give details]
- 25.10 Provisions for Settlement:
- (a) Settlement Price: [As per the Fund Linked Conditions]/[Specify if other than as set out in Fund Linked Conditions. Expressed as price per Fund Interest Unit]
  - (b) Settlement Cycle [As per the Fund Linked Conditions]/[Other – give details]
- 25.11 Fund Business Day: [As per the Fund Linked Conditions]/[Other – give details]
- 25.12 Currency Business Day: [As per the Fund Linked Conditions]/[Other – give details]
- 25.13 Calculation Agent: [See paragraph 30 below] / [specify other]
- 25.14 Additional Extraordinary Fund Events: [Applicable / Not Applicable]  
  
[please specify]
- 25.15 Hypothetical Investor Jurisdiction: [As set out in the Fund Linked Conditions/other - give details]
- 25.16 Hypothetical Investor: [As set out in the Fund Linked Conditions/other - give details]

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- 25.17 Redemption Fees: [Specify if applicable where Reported Value Method applies]
- 25.18 Additional Fund Representations: [Applicable] / [Not Applicable]  
*[If applicable, specify all operative details]*
- 25.19 Exchange Traded Fund Provisions: [Applicable] / [Not Applicable]  
  
*[If applicable, insert:*
- (a) Underlying Index: [ ]
- (b) Underlying Index Sponsor: [ ]
- 25.20 Other terms or special conditions: [ ]
- 26. Inflation Index Linked Warrants:** [Applicable] / [Not Applicable]  
  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- 26.1 Inflation Index/Inflation Indices: [ ]  
  
*(Give or annex details of index/indices)*
- 26.2 Inflation Index Sponsor(s): [ ]
- 26.3 Reference Source(s): [ ]
- 26.4 Formula: [ ]
- 26.5 Related Bond: [Applicable/Not Applicable]  
  
The Related Bond is: [ ] [Fallback Bond]  
  
The issuer of Related Bond is: [ ]
- 26.6 Fallback Bond: [Applicable] / [Not Applicable]
- 26.7 Key Dates:
- (a) Reference Month: [ ]
- (b) Determination Date(s): [ ]
- (c) Cut-Off Date: [ ]
- (d) End Date: [ ]  
  
*(This is necessary whenever Fallback Bond is Applicable)*
- 26.8 Additional Disruption Events: [As per Inflation Index Linked Conditions/[Specify other]
- (a) Change in Law: [Applicable] / [Not Applicable]

***Form of Final Terms for Warrants***

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

(c) Increased Cost of Hedging: [Applicable] / [Not Applicable]

26.9 Other terms or special conditions: [ ]

**27. Property Index Linked Warrants:** [Applicable] / [Not Applicable]

*(If applicable, insert relevant provisions here. Alternatively, annex the relevant provisions to these Final Terms)*

27.1 Property Index: [ ]

27.2 Property Index Sponsor [ ]

27.3 Key Dates:

(a) Trade Date [ ]

(b) [Publication Date(s)]: [[ ]]

(c) Cure Period: [Applicable] / [Not Applicable]

*(If applicable, Cure Period to be specified)*

27.4 Index Level: [ ]

27.5 Additional Disruption Events: [As per Property Index Linked Conditions] / [*Specify other*]

27.6 Calculation Agent: [See Paragraph 42 below] / [*Specify other*]

27.7 Other terms or special conditions, including disclosure of any affiliation with a Property Index Sponsor for the purposes of Property Index Linked Condition 5 (Index Disclaimer): [ ]

**28. Commodity Linked Warrants:** [Applicable] / [Not Applicable]

*(If applicable, insert relevant provisions here. Alternatively, annex the relevant provisions to these Final Terms)*

**29. Debt Linked Warrants:** [Applicable] / [Not Applicable]

*(If applicable, insert relevant provisions here. Alternatively, annex the relevant provisions to these Final Terms)*

**GENERAL PROVISIONS APPLICABLE TO THE WARRANTS**

**30.** Calculation Agent: [Abbey National Treasury Services plc  
2 Triton Square  
Regent's Place  
London NW1 3AN  
United Kingdom]  
[specify other]

## *Form of Final Terms for Warrants*

31. Linked Warrants: [Applicable/Not Applicable]
- [If applicable, specify manner in which a Linked Warrant may be separated by a Warrantholder at his option. Warrantholders should be able to separate Linked Warrants at their discretion.]*
- (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.)*

### **DISTRIBUTION**

32. 32.1 If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable] / [give names and addresses of each entity acting as underwriter and its respective underwriting 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.)*
- 32.2 Date of Subscription Agreement: [ ]
- 32.3 Stabilising Manager(s) (if any): [Not Applicable] / [give name]
33. If non-syndicated, name and address of relevant Dealer: [Not Applicable] / [give name and address]
- [In connection with the issue of any Tranche of Warrants, the relevant Dealer (if any) named as the stabilising manager (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms or Prospectus (as the case may be) (the "**Stabilising Manager**") may over-allot Warrants or effect transactions with a view to supporting the market price of the Warrants at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Tranche of Warrants 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 Tranche of Warrants and 60 days after the date of the allotment of the Tranche of Warrants.]
34. US Selling Restrictions: The Warrants [and the Entitlement] have not been and will not be registered under the Securities Act or under any state securities laws, and the Warrants may not be offered, sold, transferred, pledged, delivered, redeemed, directly or indirectly, at any time within the United States or to, or for the account or benefit of, or by, any U.S. Person (as defined herein). Trading in the Warrants has not been approved by the CFTC pursuant to the CEA, and no

## Form of Final Terms for Warrants

U.S. person may at any time trade or maintain a position in the Warrants. For a description of the restrictions on offers and sales of Warrants, see Part C attached hereto and "Notice to Purchasers and Holders of Warrants and Transfer Restrictions" and "Subscription and Sale" in the Prospectus.

35. Non exempt Offer:

[Not Applicable] / [An offer of the Warrants may be made by any Dealer [and [specify names of other financial intermediaries/placers making non-exempt offers, to the extent known OR consider a generic description of other parties involved in non-exempt offers (e.g. "other parties authorised by any Dealer") or (if relevant) Warrant that other parties may make non-exempt offers in the Public Offer Jurisdictions during the Offer Period, if not known]] (together with the Dealer(s), the "Financial Intermediaries") 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 (in addition to the jurisdiction where approved and published)] ("Public Offer Jurisdictions") during the period from [Insert, for example, one business day after satisfaction of all regulatory requirements of such Member State(s)] until [specify date or a formula such as "the Issue Date" or "the date which falls [ ] Business Days thereafter"] ("Offer Period"). Copies of these Final Terms will be provided to the competent authorities in the Public Offer Jurisdictions. See further Paragraph 7 of Part B below.

*(N.B. Consider any local regulatory requirements necessary to be fulfilled so as to be able to make a non-exempt offer in relevant jurisdictions. No such offer should be made in any relevant jurisdiction until those requirements have been met. Non-exempt offers may only be made into jurisdictions in which the Base Prospectus (and any supplement) has been notified / passported.)*

36. Additional Selling Restrictions:

[Not Applicable]/[give details]

### LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdiction] [and] admission to trading on [specify relevant regulated market (for example the London Stock Exchange's Regulated Market or the Regulated Market of the Luxembourg Stock Exchange) and, if relevant, listing on an official list (for example, the Official List of the UK Listing Authority or the Official List of the Luxembourg Stock Exchange)] of Warrants described herein pursuant to the Warrant Programme of Abbey National Treasury Services plc.

### RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in these Final Terms. [Relevant third party information, for example, in compliance with Annex XII to the Prospectus Directive Regulation in relation to each Relevant Asset (as defined in the Warrant Conditions) [or its components] has been extracted from [specify source]. The Issuer and the Guarantor each confirm that such information has been accurately reproduced and that, so far as they are aware and is/are able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of the Issuer and the Guarantor:

By: .....

Duly authorised

## *Form of Final Terms for Warrants*

### **PART B– OTHER INFORMATION**

#### **1. LISTING AND ADMISSION TO TRADING**

1.1 Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) for the Warrants to be admitted to trading on the London Stock Exchange's Regulated Market and to be listed the Official List of the UK Listing Authority with effect on or about [the Issue Date].

[Application is expected to be made by the Issuer (or on its behalf) for the Warrants to be admitted to trading on the Regulated Market of the Luxembourg Stock Exchange and to be listed on the Official List of the Luxembourg Stock Exchange with effect on or about [the Issue Date]]

[Application has been made by the Issuer (or on its behalf) for the Warrants to be admitted to the Official List of the Irish Stock Exchange and trading on its regulated market with effect from [the Issue Date].]

[Application is expected to be made by the Issuer (or on its behalf) for the Warrants to be admitted to trading on the Euro MTF market, which is the alternative market of the Luxembourg Stock Exchange, and to be listed on the Official List of the Luxembourg Stock Exchange with effect on or about the [Issue Date]. The Euro MTF market is not a regulated market for the purposes of Directive 2004/39/EC.]

[Application has been made by the Issuer (or on its behalf) for the Warrants to be admitted to the Official List of the Irish Stock Exchange and trading on its Global Exchange Market with effect from [the Issue Date].]

[Application is expected to be made by the Issuer for the Warrants to be admitted to trading and listing on the regulated market of the Warsaw Stock Exchange [on or around [date].]

*[Specify any other listing if applicable]*

[Not Applicable.]

*(Where documenting a fungible issue, indication must be given that the original Warrants are already admitted to trading).*

1.2 Estimate of total expenses related to admission to trading: [ ]

#### **2. RATINGS**

2.1 Ratings: [None. Please note that as at the Issue Date it is not intended that this specific Series of Warrants will be rated.]



## ***Form of Final Terms for Warrants***

[The Warrants to be issued [have been]/[are expected to be] rated [*insert rating*] by [*insert the legal name of the relevant credit rating agency entity(ies)*].

*(In respect of each agency providing a rating, disclosure must be included as to the status of that agency with regards Regulation (EC) No. 1060/2009 (as amended) on credit rating agencies. This status should be confirmed with the relevant agency(ies) at the time of issuance. Once confirmed, select and complete the appropriate pro forma wording below. N.B. S&P, Moody's and Fitch have a number of group entities which may issue ratings. It will be important to confirm with the credit rating agency on a case by case basis precisely which entity is issuing (and/or endorsing) the rating and to ensure that this is accurately reflected)*

[[Moody's Investors Service Limited] / [*Specify other*]] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended). [As such [[Moody's Investors Service Limited] / [*Specify other*]] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[[*Insert the legal name of relevant non-EU credit rating agency entity*] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended). [*Insert the legal name of relevant non-EU credit rating agency entity*] is therefore not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.]]

[[*Insert name of relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). However, the application for registration under the CRA Regulation of [*insert the name of the relevant EU credit rating agency entity that applied for registration*], which is established in the European Union and is registered under the CRA Regulation [(and, as such is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation)], disclosed the intention to endorse credit ratings of [*insert legal name of the relevant non-EU credit rating agency entity*]. While notification of the corresponding final endorsement decision has not yet been provided by the relevant competent authority, the European Securities and Markets Authority has indicated that ratings issued in third countries may continue to be used in the EU by relevant market participants for a transitional period ending on 30 April 2012.]]

[[*Insert legal name of relevant non-EU credit rating agency*

## ***Form of Final Terms for Warrants***

*entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). The ratings [[have been]/[are expected to be]] endorsed by [*insert the legal name of the relevant EU-registered credit rating agency entity*] in accordance with CRA Regulation. [*Insert the legal name of the relevant EU-registered credit rating agency entity*] is established in the European Union and registered under the CRA Regulation. [As such [*insert the legal name of the relevant EU-registered credit rating agency entity*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.]]

[[*Insert legal name of relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"), but it [[is]/[has applied to be]] certified in accordance with the CRA Regulation[[EITHER:] and it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation] [[OR:] although notification of the corresponding certification decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant non-EU credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

[[*Insert the legal name of the relevant credit rating agency entity*] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority[ and [*insert the legal name of the relevant credit rating agency entity*] is not included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation].]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU credit rating agency entity that applied for registration*], which is established in the European Union, disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU credit rating agency entity*][, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority and [*insert the legal name of the relevant EU credit rating agency entity*] is not included

## ***Form of Final Terms for Warrants***

in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation].]

*[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 specifically allocated to Warrants by the relevant credit rating agency).*

### **3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

[Save for any fees payable to the Dealer [and any Financial Intermediary[(ies)]], so far as the Issuer is aware, no person involved in the issue of the Warrants has an interest material to the offer. *(Amend as appropriate if there are other interests)*]

*[(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 Offering Circular under Article 16 of the Prospectus Directive)]*

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

4.1 Reasons for the offer: [General corporate purposes]

*(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.)*

4.2 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.)*

4.3 Estimated total expenses: [ ]

[Expenses are required to be broken down into each principal intended "use" and presented in order of priority of such "uses".]

*(If the Warrants 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 4.2 and 4.3 above where disclosure is included at 4.1 above.)*

### **5. PERFORMANCE OF RELEVANT ASSET / FORMULA / CURRENCIES, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [RELEVANT ASSET] [INDEX] [THE [EXCHANGE RATE(S)/FORMULA/CURRENCIES]] –**

*[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

## **Form of Final Terms for Warrants**

[Need to include details of where past and future performance and volatility of the Relevant Asset can be obtained]. [Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. Need to include any adjustment rules in relation to events concerning the underlying (if applicable)]

[Where the underlying is an index, include the name of [the/each] 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/each] index can be obtained.]

[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base 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].

### **6. OPERATIONAL INFORMATION**

6.1 ISIN Code: [ ]

6.2 Common Code: [ ]

*(insert here any other relevant codes such as CUSIP and CINS numbers)*

6.3 Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not applicable/give name(s) and number(s)]

6.4 Delivery: Delivery [against/free of] payment

6.5 Governing law: English

6.6 Additional investment considerations: [Applicable. See Annex [ ] contained herein]  
[Not Applicable]

*[If applicable, set out in an annex all additional risk factors or other investment considerations applicable to the particular Tranche of Warrants to be issued.]*

### **7. TERMS AND CONDITIONS OF THE PUBLIC OFFER**

[Applicable] / [Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)* [The Warrants will be offered to the public in each of *[insert jurisdictions where the Base Prospectus has been approved and published and jurisdictions into which it has been passported ("Public Offer Jurisdictions")*] in accordance with the arrangements listed below.]

7.1 Offer Price: [Issue Price] / [Not Applicable] / *[give details]*

7.2 [Conditions to which the offer is subject:] [Not Applicable] / *[give details]*

[Offers of the Warrants are conditions on their issue and are subject

## *Form of Final Terms for Warrants*

to such conditions as are set out in the [Distribution Agreement]. As between Dealers and their customers (including Financial Intermediaries) or between Financial Intermediaries and their customers, offers of the Warrants are further subject to such conditions as may be agreed between them and/or as is specified in any arrangements in place between them.]

- 7.3 [Description of the application process: [Not Applicable] / [give details]
- 7.4 Time period, including any possible amendments, during which the offer will be open: [[ ] [a.m.] [p.m.] on [ ] to [ ] [a.m.] [p.m.] on [ ]]
- 7.5 [Details of the minimum and/or maximum amount of application]: [Not Applicable] / [give details]
- 7.6 [Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants]: [Not Applicable] / [give details]
- 7.7 [Details of the method and time limits for paying up and delivering the Warrants:]: [Not Applicable] / [give details]
- [NB: Under normal circumstances, on the Issue Date, allocated Warrants will be made available to the Dealer(s) / Financial Intermediaries in such account as may be held by them directly or indirectly at Euroclear or Clearstream. Luxembourg.]*
- 7.8 [Manner in and date on which results of the offer are to be made public:]: [Not Applicable] / [give details]
- [If applicable (i) specify date on which the final size of the issue will be made public and (ii) insert specific details in respect of the method of publication (including, where relevant, details of any advertisements to be published).]*
- 7.9 [Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:]: [Not Applicable] / [give details]
- 7.10 [Categories of potential investors to which the Warrants are offered and whether tranche(s) have been reserved for certain countries:]: [Not Applicable] / [give details]
- [Offers or solicitations may be made by the Dealer(s) in [insert relevant Public Offer Jurisdictions] for the period set out in paragraph 10.4 above, to any person [insert suitability criteria, if any are deemed appropriate pursuant to any applicable conduct of business rules]. No offer or solicitation in respect of the Warrants shall be made by the Dealer(s) except pursuant to an exemption from the obligation under the Prospectus Directive as implemented in such countries to publish a prospectus (a) in any other EEA country or (b) after the period set out in paragraph 10.4 above has ended.]

[Other]

## ***Form of Final Terms for Warrants***

- 7.11 Indication of the expected price at which the Warrants will be offered or the method of determining the price and the process for its disclosure: [Not Applicable] [The Issuer has offered and will sell the Warrants to the Dealer(s) (and no one else) at the Issue Price of [ ] [less a total commission of [ ]]. The Dealer(s) and Financial Intermediaries will offer and sell the Warrants to their customers in accordance with the arrangements in place between each such Dealer and its customers (including the Financial Intermediaries) or each such Financial Intermediary and its customers by reference to the Issue Price and the market conditions prevailing at the time.]
- 7.12 [Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:] [Not Applicable] / [give details]  
[Prospective Warrantheolders will be notified by the relevant Dealer(s) and Financial Intermediary in accordance with the arrangements in place between such Dealer(s) or Financial Intermediary and its customers. Any dealings in the Warrants, which take place will be at the risk of the prospective Warrantheolders.]
- 7.13 Details of any tranche(s) reserved for specific country: [Not Applicable] / [give details]
- 7.14 [Amount of any expenses and taxes specifically charged to the subscriber or purchaser:] [Not Applicable] / [give details]
- 7.15 Additional information applicable to the terms and conditions of the offer, if any: [Not Applicable] / [give details]
- 7.16 [Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.] [None known to the Issuer] / [give details]

The Issuer is only offering to and selling to the Dealer(s) pursuant to and in accordance with the terms of the [Distribution Agreement] [Programme Agreement]<sup>24</sup>. All sales to persons other than the Dealer(s) will be made by the Dealer(s) or persons to whom they sell, and/or otherwise make arrangements with, including the Financial Intermediaries. The Issuer shall not be liable for any offers, sales or purchases of Warrants to persons (other than in respect of offers and sales to, and purchases of, Warrants by the Dealer(s) and only then pursuant to the [Distribution Agreement] [Programme Agreement], which are made by the Dealer(s) or Financial Intermediaries in accordance with the arrangements in place between any such Dealer or any such Financial Intermediary and its customers.

[Each [of] the Dealer(s) has acknowledged and agreed, and any Financial Intermediary will be required by the Dealer(s) to acknowledge and agree, that for the purpose of offer(s) of the Warrants, the Issuer has passported the Base Prospectus in each of the Public Offer Jurisdictions and will not passport the Base Prospectus into any other European Economic Area Member State; accordingly, the Warrants may only be publicly offered in Public Offer Jurisdictions or offered to Qualified Investors (as defined in the Prospectus Directive) in any other European Economic Area Member States and that all offers of Warrants by it will be made only in accordance with the selling restrictions set forth in the Prospectus and the provisions of these Final Terms and in compliance with all applicable laws and regulations.]

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<sup>24</sup> Delete as applicable depending on whether syndicated trade or not.

## ***Form of Final Terms for Warrants***

*[(The following language applies if the Final Terms relate to Warrants that have been determined not to be eligible for offer, sale, resale, transfer, pledge or delivery in the United States or to, or for the account or benefit of, U.S. persons.)]*

### **PART C – IMPORTANT NOTICE TO PURCHASERS AND TRANSFEREES**

The Warrants have not been and will not be registered under the Securities Act, and trading in the Warrants has not been approved by the CFTC under the CEA. No Warrants, or interests therein, may at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person and no U.S. person may at any time trade or maintain a position in the Warrants.

As used herein, "**United States**" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and "**U.S. person**" means (i) an individual who is a citizen or resident of the United States; (ii) a corporation, partnership or other entity organised in or under the laws of the United States or any political subdivision thereof or which has its principal place of business in the United States; (iii) any estate or trust which is subject to United States federal income taxation regardless of the source of its income; (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and if one or more United States trustees have the authority to control all substantial decisions of the trust (or any trust which elected to be treated as a United States person prior to 20th August 1996); (v) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (ii) above; (vi) any entity organised principally for passive investment, 10 per cent. or more of the beneficial interests in which are held by persons described in (i) to (v) above if such entity was formed principally for the purpose of investment by such persons in a commodity pool the operator of which is exempt from certain requirements of Part 4 of the CFTC's regulations by virtue of its participants being non-U.S. persons; or (vii) any other "U.S. person" or person that is not a "non-United States person" as either such term may be defined in Regulation S under the Securities Act or in regulations adopted under the CEA.

#### **Notice to Purchasers and Holders of Restricted Securities and Transfer Restrictions**

Each purchaser of the Warrants will, by its purchase of the Warrants, be deemed to acknowledge, represent and agree as follows:

- (a) that trading in the Warrants has not been and will not be approved by the CFTC under the CEA;
- (b) that it will not at any time offer, sell, resell or deliver, directly or indirectly, any Warrants so purchased in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person;
- (c) that it is not purchasing any Warrants for the account or benefit of any U.S. person;
- (d) that it will not make offers, sales, resales or deliveries of any Warrants (otherwise acquired), directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person;
- (e) that it will send each person who purchases Warrants from it a written confirmation (which shall include the definitions of United States and U.S. person set forth herein) stating that the Warrants have not been registered under the Securities Act, that trading in the Warrants has not been approved by the CFTC under the CEA and stating that such purchaser agrees that it will not at any time offer, sell, resell or deliver any of such N&C Securities, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person; and
- (f) that no U.S. person or person in the United States may at any time trade or maintain a position in the Warrants.]

## *Form of Guarantee*

### FORM OF GUARANTEE

#### GUARANTEE

**THIS GUARANTEE** is given on 5 April 2012 by Santander UK plc (the "**Guarantor**").

#### **WHEREAS:**

- (A) The Guarantor has agreed to guarantee the obligations of Abbey National Treasury Services plc (the "**Issuer**") in respect of notes ("**Notes**"), redeemable certificates ("**Certificates**" and, together with the Notes, "**N&C Securities**") and warrants ("**Warrants**" and, together with N&C Securities, "**Securities**") issued under its Note, Certificate and Warrant Programme (the "**Programme**") which are issued pursuant to (i) in the case of N&C Securities, an amended and restated Agency Agreement (as the same may be supplemented, amended and/or restated from time to time, the "**Agency Agreement**") dated 5 April 2012 between, among others, the Issuer, the Guarantor and Citibank N.A. as Issuing and Principal Paying Agent and (ii) in the case of Warrants, a Warrant Agreement (as the same may be supplemented, amended and/or restated from time to time, the "**Warrant Agreement**") dated 5 April 2012 between, among others, the Issuer, the Guarantor and Citibank N.A. as Principal Warrant Agent.
- (B) Terms defined in the General Terms and Conditions of the N&C Securities or the General Terms and Conditions of the Warrants (as the case may be) and, in each case, each applicable Technical Annex (together, the "**Conditions**") as set out in the Agency Agreement or Warrant Agreement (as applicable) and not otherwise defined in this Guarantee shall have the same meaning when used in this Guarantee. References to "N&C Securities" herein shall include the related Coupons, Talons and Receipts, if applicable. References to "Securityholder" herein will be references to "N&C Securityholder" or, where applicable, "Couponholder" or "Receiptholder", in the case of N&C Securities and to "Warrantholder" in the case of Warrants.
- (C) This Guarantee will apply in respect of Securities issued on or after the date hereof save in relation to any issues of Securities which are further issues of any Tranche of Securities in existence at the date hereof ("**Fungible Securities**"), in relation to which the Guarantor's Deed of Guarantee dated 26 March 2009 will apply (if such Fungible Securities are Notes) or the Guarantor's Deed of Guarantee dated 16 December 2009 will apply (if such Fungible Securities are Warrants).

#### **NOW THIS DEED WITNESSETH** as follows:

1. The Guarantor as primary obligor hereby irrevocably and unconditionally guarantees to the holder from time to time of each Security by way of continuing guarantee:
  - (a) the due and punctual payment of all amounts payable by the Issuer on or in relation to such Securities as and when the same shall become due according to the Conditions; and
  - (b) the due and punctual performance and observance by the Issuer of each of the other provisions of the N&C Securities (including delivery of any Asset Amount, subject as provided in Clause 2(a) below) or the Warrants (including the delivery of any Entitlement, subject as provided in Clause 2(b) below), as the case may be ("**Relevant Obligations**") to be performed or observed by the Issuer in relation to all Securities issued by it.



## *Form of Guarantee*

2. The Guarantor as primary obligor unconditionally and irrevocably agrees that if and each time that the Issuer shall fail to make any payments or perform any Relevant Obligations as and when the same become due or due to be performed or observed, the Guarantor will on demand (without requiring the relevant Securityholder first to take steps against the Issuer or any other person) (x) pay to the relevant Securityholder the relevant amounts in the currency in which the amounts are payable by the Issuer or (y) perform or observe or procure the performance or observation of the Relevant Obligation (in each case as to which the certificate of the relevant Securityholder shall in the absence of manifest error be conclusive), Provided That:
- (a) in the case of each Series of N&C Securities which are Physical Delivery N&C Securities, the Guarantor shall at all times have the right, in its sole and unfettered discretion, to elect not to deliver or procure delivery of the Asset Amount (as specified in the applicable Final Terms) to the holders of such Physical Delivery N&C Securities when the same shall become due and deliverable, but in lieu thereof to make payment in respect of each Physical Delivery N&C Security to the holder(s) of such Physical Delivery N&C Security of an amount determined by the Guarantor in good faith and in a commercially reasonable manner to be equal to the fair market value of the assets to which the Asset Amount in respect of the relevant N&C Security relates less such N&C Security's *pro rata* share of the costs of unwinding any underlying related hedging and/or funding arrangements of the Issuer and/or the Guarantor (the "**Guaranteed Cash Settlement Amount**"). Any payment of the Guaranteed Cash Settlement Amount in lieu of the relevant Asset Amount shall constitute a complete discharge of the Guarantor's obligations in respect of the relevant N&C Securities save as to any other cash amounts due in respect of such N&C Securities.
  - (b) in the case of each Series of Warrants which are Physical Delivery Warrants, the Guarantor shall at all times have the right, in its sole and unfettered discretion, to elect not to deliver or procure delivery of the Entitlement (as specified in the applicable Final Terms) to the holders of such Physical Delivery Warrants when the same shall become due and deliverable, but in lieu thereof to make payment in respect of each Physical Delivery Warrant to holder(s) of such Physical Delivery Warrant an amount determined by the Guarantor in good faith and in a commercially reasonable manner to be equal to the fair market value of the assets to which the Entitlement in respect of the relevant Warrant relates less such Warrants' *pro rata* share of the costs of unwinding any underlying related hedging and/or funding arrangements of the Issuer and/or the Guarantor (the "**Guaranteed Cash Settlement Amount**"). Any payment of the Guaranteed Cash Settlement Amount in lieu of the relevant Entitlement shall constitute a complete discharge of the Guarantor's obligations in respect of the relevant Warrants save as to any other cash amounts due in respect of such Warrants.
3. All payments by the Guarantor under this Guarantee will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or the taxing authority of any territory in which the Guarantor is incorporated or resident for taxation purposes, or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Guarantor will make the required withholding or deduction of such taxes, duties, assessments or governmental charges for the account of the holders of the Securities, as the case may be, and shall not pay any additional amounts to the holders of the Securities.
4. If any payment or delivery received by any Securityholder pursuant to the provisions of the Securities in relation to the Securities shall, on the subsequent bankruptcy, insolvency or corporate reorganisation of the Issuer or other such similar event, be avoided or set aside for any reason, such payment or delivery shall not be considered as discharging or diminishing the liability of the Guarantor and this guarantee shall continue to apply as if such payment or delivery had at all times remained owing by the Issuer and the Guarantor shall indemnify the relative Securityholders (as the case may be) in respect thereof PROVIDED THAT the obligations of the Guarantor under this subclause shall, as regards each payment or delivery made to any Securityholder which is avoided or set aside, be contingent upon such payment or delivery being reimbursed or returned to the Issuer or other persons entitled through the Issuer.
5. The Guarantor hereby agrees that its obligations hereunder shall be unconditional and that the Guarantor shall be fully liable irrespective of the validity, regularity, legality or enforceability against the Issuer of, or of any defence or counter-claim whatsoever available to the Issuer in relation to, its obligations under the Securities, whether or not any action has been taken to enforce the same or any judgment obtained against the Issuer, whether or not any of the other provisions of the Securities have been modified, whether or not any time indulgence, waiver, authorisation or consent has been granted

## *Form of Guarantee*

to the Issuer by or on behalf of the relative Securityholders, whether or not there have been any dealings or transactions between the Issuer and any of the relative Securityholders, whether or not the Issuer has been dissolved, liquidated, merged, consolidated, bankrupted or has changed its status, functions, control or ownership, whether or not the Issuer has been prevented from making payments by foreign exchange provisions applicable at its place of registration or incorporation and whether or not any other circumstances have occurred which might otherwise constitute a legal or equitable discharge of or defence to a guarantor. Accordingly, the validity of this guarantee shall not be affected by reason of any invalidity, irregularity, illegality or unenforceability of all or any of the obligations of the Issuer under these presents and this guarantee shall not be discharged nor shall the liability of the Guarantor under these presents be affected by any act, thing or omission or means whatever whereby its liability would not have been discharged if it had been the principal debtor or obligor.

6. The Guarantor shall, without the consent of the Warrantholders, be entitled at any time to substitute any other company (the "**Substitute Guarantor**") as guarantor in respect of all obligations of the Issuer in respect of the Warrants subject to compliance with the terms of Warrant Condition 12.2.
7. The Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of dissolution, liquidation, merger or bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, protest or notice with respect to the relative Securities or the indebtedness evidenced thereby and all demands whatsoever and hereby covenants that this Guarantee shall be a continuing guarantee, which shall not be discharged except by complete performance of the obligations contained in the Securities in relation to the relative Securities.
8. If any moneys shall become payable and/or any Relevant Obligations due by the Guarantor under this Guarantee, the Guarantor shall not, so long as the same remain unpaid:
  - (a) in respect of any amounts paid by it under this Guarantee, exercise any rights of subrogation against the Issuer or any other right or remedy which may accrue to it in respect of or as a result of any such payment; or
  - (b) in respect of any other moneys for the time being due to the Guarantor by the Issuer, claim payment thereof or exercise any other right or remedy,

(including in either case claiming the benefit of any security or right of set-off or, on the liquidation of the Issuer, proving in competition with Securityholders). If, notwithstanding the foregoing, upon the bankruptcy, insolvency or liquidation of the Issuer any payment or distribution of assets of the Issuer of any kind or character, whether in cash, property or securities, shall be received by the Guarantor before payment of all amounts and performance of all Relevant Obligations in full on the relative Securities issued by the Issuer shall have been made to the relative Securityholders, such payment or distribution shall be received by the Guarantor on trust to pay the same over immediately to the Issuing and Principal Paying Agent, in the case of N&C Securities or the Principal Warrant Agent, in the case of Warrants, for application in or towards the payment of all sums due and remaining unpaid under the Securities.

9. The obligations of the Guarantor under this Guarantee are direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and rank *pari passu* with all other present and future unsecured and unsubordinated obligations (including those arising under deposits received in its banking business) of the Guarantor, without any preference among themselves and without any preference one above the other by reason of priority of date of issue, currency of payment or otherwise, except for obligations given priority by law.
10. This Guarantee shall ensure for the benefit of the Securityholders and shall be deposited with and held by Citibank N.A. as the Principal Paying Agent for N&C Securities and Principal Warrant Agent for Warrants.
11. This Guarantee and non-contractual obligations arising out of or in connection with this Guarantee are governed by, and shall be construed in accordance with, the laws of England and the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Guarantee (including any non-contractual obligations arising out of or in connection with this Guarantee) and accordingly any suit, action or proceedings arising out of or in connection with this Guarantee (including any non-contractual obligations arising out of or in connection with this Guarantee) shall be brought in such courts.

*Form of Guarantee*

**IN WITNESS** whereof this Guarantee has been entered into as a deed by the Guarantor on the date which appears first on page 1.

THE COMMON SEAL of )  
**SANTANDER UK PLC** )  
was affixed to this deed )  
in the presence of: )

.....  
Title:

## *Form of the Securities*

### FORM OF THE SECURITIES

*Words and expressions defined in the "Terms and Conditions of the N&C Securities" or the "Terms and Conditions of the Warrants", as applicable, shall have the same meanings in this Form of the Securities.*

#### **Form of the N&C Securities**

Other than in the case of Book-Entry Interests, CDIs (each as defined below) and Definitive Registered N&C Securities, the N&C Securities of each Series will initially be represented by a global security in bearer form, with or without interest coupons attached. Bearer N&C Securities will be issued outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**") and Immobilised Bearer N&C Securities of certain issues may be issued through the Book-Entry Depository (as defined below) both outside the United States in reliance on Rule 903 or 904 of Regulation S ("**Regulation S N&C Securities**") and within the United States to "qualified institutional buyers" ("**QIBs**") within the meaning of Rule 144A under the Securities Act ("**Rule 144A**") or to U.S. persons who are QIBs in reliance on Rule 144A ("**Rule 144A N&C Securities**"). In addition, interests in Immobilised Bearer N&C Securities of certain issues may not at any time be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person and may not be legally or beneficially owned at any time by any U.S. person ("**Permanently Restricted N&C Securities**"). Accordingly, Permanently Restricted N&C Securities may only be offered and sold in offshore transactions outside the United States to non-U.S. persons in reliance on Regulation S.

#### **Bearer N&C Securities**

Each Tranche of Bearer N&C Securities will be initially represented by either a temporary bearer global N&C Security (a "**Temporary Bearer Global N&C Security**") or a permanent bearer global N&C Security (a "**Permanent Bearer Global N&C Security**") and, together with the Temporary Bearer Global N&C Security, the "**Bearer Global N&C Securities**") as indicated in the applicable Final Terms of the N&C Securities, which, in either case, will:

- (i) if the Bearer Global N&C Securities are intended to be issued in new global note ("**NGN**") form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"); or
- (ii) if the Bearer Global N&C Securities are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depository (the "**Common Depository**") for Euroclear and Clearstream, Luxembourg.

Whilst any Bearer N&C Security is represented by a Temporary Bearer Global N&C Security, payments of principal, interest (if any) and any other amount payable in respect of the N&C Securities due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global N&C Security (if the Temporary Bearer Global N&C Security is not intended to be issued in NGN form) only to the extent that certification to the effect that the beneficial owners of interests in such Bearer N&C Security are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, 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 Principal Paying Agent. If a Permanent Bearer Global N&C Security is issued directly (rather than exchanged from a Temporary Bearer Global N&C Security), then that issuance must, on the earlier of the date of the first payment of interest by the issuer or the date of delivery by the issuer of the obligation in definitive form, comply with the same certification requirements as a Temporary Bearer Global N&C Security, described above.

In respect of each Tranche of N&C Securities in respect of which a Temporary Bearer Global N&C Security is issued, on and after the date (the "**Exchange Date**") which is 40 days after the Temporary Bearer Global N&C Security is issued, interests in such Temporary Bearer Global N&C Security will be exchangeable (free of charge) upon a request as described therein for either:

- (i) interests in a Permanent Bearer Global N&C Security of the same Series; or
- (ii) Definitive Bearer N&C Securities (as defined in the General Terms and Conditions of the N&C Securities) of the same Series (as defined in the General Terms and Conditions of the N&C Securities) with, where applicable, receipts, interest

## *Form of the Securities*

coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of Definitive Bearer N&C Securities, to such notice period as is specified in the applicable Final Terms).

In each case such exchange shall be made against certification of non-U.S. beneficial ownership as described above, unless such certification has already been given. Purchasers in the United States and certain U.S. persons will not be able to receive Definitive Bearer N&C Securities or interests in a Permanent Bearer Global N&C Security. The holder of a Temporary Bearer Global N&C Security will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due presentation and certification, exchange of the Temporary Bearer Global N&C Security for an interest in a Permanent Bearer Global N&C Security or for Definitive Bearer N&C Securities is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global N&C Security will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global N&C Security (if the Permanent Bearer Global N&C Security is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Bearer Global N&C Security will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer N&C Securities with, where applicable, receipts, interest coupons and talons attached upon either:

- (1) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global N&C Security) to the Principal Paying Agent, or
- (2) only upon the occurrence of an Exchange Event (as defined below).

No Definitive Bearer N&C Securities will be sent by post or otherwise delivered to any location in the United States or its possessions in connection with such exchange.

For these purposes, "**Exchange Event**" means that:

- (1) an Event of Default (as defined in N&C Security Condition 10 (Events of Default)) has occurred and is continuing;
- (2) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no alternative clearing system satisfactory to the Issuer and the Principal Paying Agent is available; or
- (3) the Issuer or the Guarantor has or will become subject to adverse tax consequences which would not be suffered were the N&C Securities represented by the Permanent Bearer Global N&C Security in definitive form.

The Issuer will promptly give notice to the Securityholders in accordance with N&C Security Condition 14 (Notices) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global N&C Security) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (3) above, the Issuer or the Guarantor may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Global N&C Securities which have an original maturity of more than 1 year and on all receipts, talons and interest coupons relating to such N&C Securities:

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

The sections referred to provide that United States persons, with certain exceptions, will not be entitled to deduct any loss on Bearer Global N&C Securities, receipts, talons or interest coupons and will not be entitled to capital gains treatment of any gain on any sale,

## *Form of the Securities*

disposition, redemption or payment of principal in respect, talons of such N&C Securities, receipts or interest coupons. The term "United States person", as used in this paragraph and in the preceding paragraph, has the meaning set forth in the U.S. Internal Revenue Code of 1986 and the U.S. Treasury regulations thereunder.

N&C Securities which are represented by a Bearer Global N&C Security will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

In relation to any Tranche of N&C Securities under the Programme, the Issuer may issue N&C Securities of a minimum authorised denomination of (a) €100,000 or (b) €50,000 and integral multiples of €1,000 (or such other amount as is specified in the applicable Final Terms) in excess thereof up to and including (i) in the case of N&C Securities with a minimum authorised denomination of €100,000, €199,000 and (ii) in the case of N&C Securities with a minimum authorised denomination of €50,000, €99,000 (or such other amount as is specified in the applicable Final Terms). In such case, no N&C Securities in definitive form will be issued with a denomination above €199,000 or €99,000 respectively (or such other amount as is specified in the applicable Final Terms). So long as such N&C Securities are represented by a Temporary Bearer Global N&C Security or Permanent Bearer Global N&C Security and the relevant clearing systems so permit, the N&C Securities will be tradeable only in the relevant minimum authorised denomination and higher integral multiples of €1,000 (or such other amount as is specified in the applicable Final Terms), notwithstanding that no Definitive Bearer N&C Securities will be issued with a denomination above €199,000 or €99,000 as applicable (or such other amount as is specified in the applicable Final Terms).

If a Global Bearer N&C Security is exchangeable for a Definitive Bearer N&C Security at the option of the Securityholders, the N&C Securities shall be tradeable only in principal amounts of at least the Specified Denomination (as defined in the General Terms and Conditions of the N&C Securities) (or if more than one Specified Denomination, the lowest Specified Denomination).

### **Immobilised Bearer N&C Securities**

To facilitate the issuance of N&C Securities which are to be eligible for sale into the United States to QIBs, the Issuer will arrange for N&C Securities to be issued as bearer securities in an immobilised form ("**Immobilised Bearer N&C Securities**"). The Immobilised Bearer N&C Securities of each Tranche offered and sold in reliance on Regulation S, which will be sold in offshore transactions to non-U.S. persons outside the United States, will initially be represented by a global security in bearer form (a "**Regulation S Global N&C Security**"). If any Securities are issued as Immobilised Bearer Global N&C Securities, then the entire Series of which they form part will be issued as Immobilised Bearer Global N&C Securities.

In the event that the applicable Final Terms specifies that a Tranche of N&C Securities is eligible for sale in the United States or to, or for the account or benefit of, U.S. persons, Immobilised Bearer N&C Securities of such Tranche will initially be represented by a global security in bearer form (a "**Rule 144A Global N&C Security**"). Interests in such a Rule 144A Global N&C Security will only be offered and sold in private transactions in the United States to QIBs or to U.S. persons who are QIBs in compliance with Rule 144A.

Interests in Immobilised Bearer N&C Securities of certain issues that may not at any time be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, a U.S. person will initially be represented by a global security in bearer form (a "**Permanently Restricted Global N&C Security**" and, together with Regulation S Global N&C Securities and the Rule 144A Global N&C Securities, the "**Immobilised Bearer Global N&C Securities**"). Any offer, sale, resale, trade, pledge, redemption, transfer or delivery of an interest in a Permanently Restricted Global N&C Security made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. Interests in Permanently Restricted Global N&C Securities may not be legally or beneficially owned at any time by any U.S. person and accordingly may only be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. Interests in a Permanently Restricted Global N&C Security may not be held otherwise than through Euroclear or Clearstream, Luxembourg, and such Permanently Restricted Global N&C Securities will bear a legend regarding such restrictions on transfer.

The Immobilised Bearer Global N&C Securities will initially be issued in bearer form, without interest coupons, and title thereto will pass by delivery. Pursuant to an N&C securities depository agreement (such agreement as amended and/or supplemented and/or restated from time to time, the "**N&C Securities Depository Agreement**") dated on or about the date of this Base Prospectus between the Issuer, Citibank, N.A., London Branch (the "**Book-Entry Depository**"), Citibank, N.A., London Branch (the "**Custodian**") and Citigroup Global Markets Deutschland AG (the "**Registrar**"), the Immobilised Bearer Global N&C Securities of

## *Form of the Securities*

each Series will on issue be deposited with the Book-Entry Depository and held by the Custodian on behalf of the Book-Entry Depository.

In respect of Immobilised Bearer Global N&C Securities to be settled through Euroclear and/or Clearstream, Luxembourg ("**European Immobilised Bearer Global N&C Securities**" or "**Permanently Restricted Immobilised Bearer Global N&C Securities**", as the case may be) which are deposited with the Book-Entry Depository, the Book-Entry Depository will issue registered certificated depository interests ("**European CDIs**" or "**Permanently Restricted CDIs**", as the case may be) to a common depository for Euroclear and Clearstream, Luxembourg, or its nominee, and will record the European CDIs or Permanently Restricted CDIs, as the case may be, in the books and records of the Registrar in the name of the common depository or its nominee, as applicable. Ownership of interests in the European Immobilised Bearer Global N&C Securities or the Permanently Restricted Immobilised Bearer Global N&C Securities deposited with the Book-Entry Depository (the "**European Book-Entry Interests**" or "**Permanently Restricted Book-Entry Interests**", respectively) will be limited to persons with an account with Euroclear and/or Clearstream, Luxembourg or persons who may hold interests through such participants. European Book-Entry Interests will be shown on, and transfers thereof will be affected only through records maintained in book-entry form by Euroclear and/or Clearstream, Luxembourg and their participants.

In respect of Immobilised Bearer Global N&C Securities to be settled through DTC ("**U.S. Immobilised Bearer Global N&C Securities**") which are deposited with the Book-Entry Depository, the Book-Entry Depository will issue registered certificateless depository interests ("**U.S. CDIs**" and, together with European CDIs and Permanently Restricted CDIs, "**CDIs**") to the Depository Trust Company ("**DTC**") or its nominee Cede & Co. and will record the U.S. CDIs in the books and records of the Registrar in the name of Cede & Co. as nominee of DTC. For so long as DTC or its nominee is the registered owner or holder of interests in the U.S. Immobilised Bearer Global N&C Securities deposited with the Book-Entry Depository (the "**U.S. Book-Entry Interests**" and, together with the European Book-Entry Interests, the "**Book-Entry Interests**"), DTC or such nominee, as the case may be, will be considered the sole owner or holder of the U.S. Book-Entry Interests for all purposes under the Agency Agreement except to the extent that, in accordance with DTC's published rules and procedures, any ownership rights may be exercised by its participants or beneficial owners through participants.

Subject as set out below, the Book-Entry Interests will not be held in definitive form. Instead, DTC, Euroclear and/or Clearstream, Luxembourg (as applicable) will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Immobilised Bearer N&C Securities are in global form, holders of Book-Entry Interests will not be considered the owners or holders of such N&C Securities for any purpose.

Interests in an Immobilised Bearer Global N&C Security will be exchangeable (free of charge), in whole but not in part, for N&C Securities in definitive registered form without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means:

- (i) an Event of Default has occurred and is continuing;
- (ii) in the case of Immobilised Bearer N&C Securities registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the N&C Securities and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act;
- (iii) in the case of Immobilised Bearer N&C Securities registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that (x) either Euroclear or Clearstream, Luxembourg is unwilling or unable to continue to act as depository for the N&C Securities and no alternative clearing system is available or (y) both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available;
- (iv) the Book-Entry Depository is at any time unwilling or unable to continue as Book-Entry Depository in respect of any Immobilised Bearer N&C Securities or its appointment as such under the N&C Securities Depository Agreement is (or is to be) terminated and no successor is appointed by the Issuer within 90 days; or

## *Form of the Securities*

- (v) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the N&C Securities represented by the Global N&C Security in definitive registered form.

The Issuer will promptly give notice to Securityholders in accordance with N&C Security Condition 14 (Notices) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Immobilised Bearer Global N&C Security) may give notice to the Registrar (or request that the Principal Paying Agent does so) requesting exchange and, in the event of the occurrence of an Exchange Event as described in (v) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

In such an event, the Issuer (or the Registrar on behalf of the Issuer) will exchange the Book-Entry Interests in the relevant Immobilised Bearer Global N&C Security for N&C Securities in definitive form, registered in the name or names and issued in any approved denominations, requested by or on behalf of DTC, Euroclear and/or Clearstream, Luxembourg, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and which may bear a restrictive legend unless such legending is not required by applicable law.

To the extent permitted by law, the Issuer, the Principal Paying Agent and the Registrar shall be entitled to treat the holder of any N&C Security as the absolute owner thereof.

### **Transfer of Interests**

Pursuant to the N&C Securities Depositary Agreement, the Immobilised Bearer Global N&C Securities may be transferred only to a successor to the relevant Book-Entry Depositary.

Unless and until Book-Entry Interests are exchanged for N&C Securities in definitive registered form, the CDIs held by a nominee for DTC or for the common depositary for Euroclear and Clearstream, Luxembourg may not be transferred except as a whole to a nominee or a successor approved by the Issuer.

Book-Entry Interests will be subject to certain restrictions on transfer and certification requirements, as described under "*Notice to Purchasers and Holders of N&C Securities and Transfer Restrictions*".

All transfers of Book-Entry Interests between participants in DTC, participants in Euroclear or participants in Clearstream, Luxembourg will be effected by DTC, Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by DTC, Euroclear or Clearstream, Luxembourg and their respective participants.

Subject to the foregoing, a Book-Entry Interest in one of the Immobilised Bearer Global N&C Securities may be transferred to a person who takes delivery thereof in the form of a Book-Entry Interest in another of the Immobilised Bearer Global N&C Securities (except for a Book-Entry Interest in a Permanently Restricted Global N&C Security) by means of an instruction originated through DTC, Euroclear or Clearstream, Luxembourg, as applicable. Any Book-Entry Interest that is so transferred will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Immobilised Bearer Global N&C Security and become a Book-Entry Interest in the other Immobilised Bearer Global N&C Security and will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Immobilised Bearer Global N&C Security for as long as it remains such a Book-Entry Interest. In connection with such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount at maturity of the first-mentioned Immobilised Bearer Global N&C Security and a corresponding increase in the principal amount at maturity of the other Immobilised Bearer Global N&C Security, as applicable. In addition, where a transfer of a Book-Entry Interest is made which requires the conversion of a U.S. Book-Entry Interest to a European Book-Entry Interest (or vice versa), appropriate adjustments will be made to reflect such conversion. A Book-Entry Interest in a Permanently Restricted Global N&C Security may not be transferred to a person who takes delivery thereof in the form of a Book-Entry Interest in any other of the Immobilised Bearer Global N&C Securities and *vice versa*. Accordingly, a Book-Entry Interest in a Permanently Restricted Global Immobilised Bearer N&C Security may not be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, a U.S. Person, and any offer, sale, resale, trade, pledge, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. Person will not be recognised.



## *Form of the Securities*

Book-Entry Interests in an Immobilised Bearer Global N&C Security may be exchanged for N&C Securities in definitive registered form upon receipt by the Registrar of instructions from the Principal Paying Agent. It is expected that such instructions of the Principal Paying Agent will be based upon directions received by DTC, Euroclear or Clearstream, Luxembourg, as applicable, from the participant which owns the relevant Book-Entry Interests. N&C Securities in a definitive registered form issued in exchange for a Book-Entry Interest will, except as otherwise determined by the Issuer in compliance with applicable law, be subject to the restrictions described under "*Notice to Purchasers and Holders of N&C Securities and Transfer Restrictions*" and will bear the legend referred to thereunder.

Immobilised Bearer N&C Securities are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions. See "*Notice to Purchasers and Holders of N&C Securities and Transfer Restrictions*" and "*Subscription and Sale*".

### **General**

Pursuant to the Agency Agreement (as defined under the General Terms and Conditions of the N&C Securities), the Principal Paying Agent shall arrange that, where a further Tranche of N&C Securities is issued which is intended to form a single Series with an existing Tranche of N&C Securities, the N&C Securities of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to N&C Securities of any other Tranche of the same Series until the expiry of any applicable period that by law or regulation would require such N&C Securities of such Tranche not to be fungible.

Any reference herein to Euroclear, Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer and the Principal Paying Agent or Registrar, as the case may be.

Any reference herein to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, except in relation to N&C Securities issued in NGN form, be deemed to include a reference to any successor operator and/or successor clearing system and/or any additional or alternative clearing system specified in the applicable Final Terms.

Any reference herein to the common depositary, depositary or, as applicable, common safekeeper shall, whenever the context so permits, be deemed to include references to any successor common depositary, depositary or, as applicable, common safekeeper or any additional or alternative common depositary, depositary or, as applicable, common safekeeper as is approved by the Issuer, the Guarantor, the Principal Paying Agent and the Registrar.

Any reference herein to the nominee or, as applicable, common nominee shall, whenever the context so permits, be deemed to include references to any successor nominee or, as applicable, common nominee or any additional or alternative nominee or, as applicable, common nominee as is approved by the Issuer, the Guarantor, the Principal Paying Agent and the Registrar.

### **Form of the Warrants**

Each Series of Warrants will be represented by a Permanent Global Warrant which will be deposited with a depositary (a "**Common Depositary**") on behalf of Euroclear and Clearstream, Luxembourg. Definitive Warrants will not be issued.

## *Use of Proceeds*

### **USE OF PROCEEDS**

The net proceeds from each issue of Securities will be applied by the Issuer for its general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## **Book-Entry Clearance Systems**

### **BOOK-ENTRY CLEARANCE SYSTEMS AND SETTLEMENT**

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the "Clearance Systems") currently in effect. The information in this section concerning the Clearance Systems has been obtained from sources that the Issuer and the Guarantor believe to be reliable. The Issuer and the Guarantor accept responsibility for the information contained in this section. Each of the Issuer and the Guarantor confirms that the information contained in this section has been accurately reproduced as far as each of the Issuer and the Guarantor is aware and is able to ascertain from information published by the above sources, and that no facts have been omitted which would render the reproduced information inaccurate or misleading. Investors wishing to use the facilities of any of the Clearance Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearance System. None of the Issuer, the Guarantor, the Dealers and the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Securities held through the facilities of any Clearance System or for maintaining, supervising or reviewing any records or payments relating to such beneficial ownership interests.*

#### **Book-entry Systems**

##### *DTC*

DTC has advised the Issuer and the Guarantor that it is a limited purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a member of the Federal Reserve System a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds and provides asset servicing for securities that its participants ("**Participants**") deposit with DTC. DTC also facilitates the post trade settlement among Participants of sales and other securities transactions in deposited securities through electronic computerised book-entry changes between Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations ("**Direct Participants**"). DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("**DTCC**"). DTC, in turn, is owned by a number of Direct Participants and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation ("**NSCC**", "**GSCC**", "**MBSCC**" and "**EMCC**", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Direct or Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**Rules**"), DTC makes book-entry transfers of Rule 144A Global N&C Securities among Direct Participants on whose behalf it acts with respect to Securities accepted into DTC's book-entry settlement system ("**DTC Securities**", which term shall include, for the purposes of this "Book-Entry Clearance Systems" section, certificated depository interests and certificateless depository interests (together "**CDIs**") issued by the Book-Entry Depository in respect of Immobilised Bearer Global N&C Securities pursuant to the terms of the N&C Securities Depository Agreement) as described below and receives and transmits distributions of principal and interest on DTC Securities. The Rules are on file with the United States Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Securities ("**Owners**") have accounts with respect to the DTC Securities are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Securities through Direct Participants or Indirect Participants will not possess Rule 144A Global N&C Securities, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants can receive payments and transfer their interest with respect to the DTC Securities.

Purchases of DTC Securities under the DTC System must be made by or through Direct Participants, which will receive a credit for the DTC Securities on DTC's records. The ownership interest of each actual purchaser of each DTC Security ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered

## ***Book-Entry Clearance Systems***

into the transaction. Transfers of ownership interests in the DTC Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Securities, except in the event that use of the book-entry system for the DTC Securities is discontinued.

To facilitate subsequent transfers, all DTC Securities deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other nominee as may be requested by an authorised representative of DTC. The deposit of DTC Securities with DTC and their registration in the name of Cede & Co. or such other nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping an account of their holdings of DTC Securities on behalf of their customers.

Delivery of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Securities of a Series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series to be redeemed.

Neither DTC nor Cede & Co. nor such other nominee will consent or vote with respect to DTC Securities. Under its usual procedures, DTC will mail an omnibus proxy to the Issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Securities are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal and interest payments on the DTC Securities will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Direct or Indirect Participant and not of DTC or its nominee or the Issuer or the Guarantor, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC is the responsibility of the Issuer or the Guarantor, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants. Neither the Issuer nor the Guarantor accept any responsibility or liability for any such payments to be made by DTC or by Direct or Indirect Participants.

### *Euroclear and Clearstream, Luxembourg*

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

### **Book-entry Ownership of and Payments in respect of DTC Securities**

Subject as set out below in respect of Immobilised Bearer Global N&C Securities, if a Rule 144A Global N&C Security is to be registered in the name of a nominee of DTC, the Issuer will apply to DTC in order to have each Tranche of Securities represented by Rule 144A Global N&C Securities accepted in its book-entry settlement system. Upon the issue of any Rule 144A Global N&C

## ***Book-Entry Clearance Systems***

Securities, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts or number of the individual beneficial interests represented by such Rule 144A Global N&C Securities to the accounts of DTC Participants. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in a Rule 144A Global N&C Security will be held through Direct Participants or Indirect Participants of DTC, including the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Rule 144A Global N&C Security will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

### **Immobilised Bearer Global N&C Securities**

Payments of any amounts owing in respect of Immobilised Bearer Global N&C Securities (including principal and interest, if any) will be made by the Issuer in the Specified Currency to the relevant Paying Agent. The relevant Paying Agent will, in turn, make such payments to or to the order of the Book-Entry Depository in its capacity as bearer of the relevant Immobilised Bearer Global N&C Securities. Upon receipt of such amounts, the Book-Entry Depository will pay the amounts so received to DTC or the common depository for Euroclear and Clearstream, Luxembourg, as applicable, which will distribute payments to participants in accordance with their procedures, as detailed above.

The Issuer will treat the bearer of the Immobilised Bearer Global N&C Securities as the owner thereof for the purposes of receiving payments and for all other purposes. None of the Issuer, the Book-Entry Depository or any agent of the Issuer has or will have any responsibility or liability for:

- (a) any aspect of the records of DTC, Euroclear, Clearstream, Luxembourg or any direct or indirect participant relating to, or payments made on account of, a Book-Entry Interest in any Immobilised Bearer Global N&C Securities or for maintaining, supervising or reviewing any of the records of DTC, Euroclear, Clearstream, Luxembourg or any direct or indirect participant relating to, or payments made on account of, a Book-Entry Interest in any Immobilised Bearer Global N&C Securities; or
- (b) DTC, Euroclear, Clearstream, Luxembourg or any direct or indirect participant.

### **Transfers of Securities Represented by Global Securities**

Transfers of any interests in Securities represented by a Global Security or a CDI within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant Clearance System and, in the case of CDIs, in accordance with the provisions of the N&C Securities Depository Agreement. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Securities represented by a Global Security or a CDI to such persons may depend upon the ability to exchange such Securities for Securities in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Securities represented by a Global Security or a CDI to pledge such Securities to persons or entities that do not participate in the DTC system or to otherwise take action in respect of such Securities may depend upon the ability to exchange such Securities for Securities in definitive form. The ability of any holder of Securities represented by a Global Security to resell, pledge or otherwise transfer such Securities may be impaired if the proposed transferee of such Securities is not eligible to hold such Securities through a Direct or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Rule 144A Global N&C Securities described under "*Notice to Purchasers and Holders of N&C Securities and Transfer Restrictions*" and "*Subscription and Sale*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg accountholders, on the other, will be effected by the relevant Clearance System in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian ("**Custodian**") with whom the relevant Bearer Global N&C Securities have been deposited.

On or after the Issue Date for any Series, transfers of Securities of such Series between accountholders in Euroclear and Clearstream, Luxembourg and transfers of Securities of such Series between participants in DTC will generally have a settlement date three business days after the trade date. The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear or Clearstream, Luxembourg and DTC Participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and

## ***Book-Entry Clearance Systems***

Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Bearer Global Securities will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of crossmarket transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a delivery free of payment basis and arrangements for payment must be made separately.

DTC, Euroclear and Clearstream, Luxembourg have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Bearer Global Securities among participants and accountholders of DTC, Euroclear and Clearstream, Luxembourg. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Guarantor, the Agents or any Dealer will be responsible for any performance by DTC, Euroclear or Clearstream, Luxembourg or their respective Direct or Indirect Participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Securities represented by Bearer Global Securities or for maintaining, supervising or reviewing any records relating to such beneficial interests.

The Issuer will not be responsible for the operation of the clearing arrangements which is a matter for the clearing institutions, their nominees, their participants and the investors.

### **Euroclear UK & Ireland Limited**

Following their delivery into a clearing system, interests in N&C Securities may be delivered, held and settled in Euroclear UK & Ireland Limited (formerly known as CRESTCo Limited) ("**CREST**") by means of the creation of dematerialised depository Interests ("**CREST Depository Interests**") representing the interests in the relevant N&C Securities ("**Underlying Securities**"). The CREST Depository Interests will be issued by CREST Depository Limited or any successor thereto (the "**CREST Depository**") to holders of the CREST Depository Interests and will be constituted and governed by English law. CREST International Nominees Limited or another entity appointed to act as nominee in accordance with the CREST Deed Poll (the "**CREST Nominee**") will hold the legal title to the Underlying Securities and the direct enforcement right in respect of the Underlying Securities.

The CREST Depository Interests will represent indirect interests in the interest of the CREST Nominee in the Underlying Securities. Pursuant to the CREST Manual (as defined below), N&C Securities held in global form by the Common Depository may be settled through CREST, and the CREST Depository will issue CREST Depository Interests. The CREST Depository Interests will be independent securities which may be held and transferred through CREST.

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

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

Transfers of interests in Underlying Securities by a CREST participant to a participant of Euroclear or Clearstream, Luxembourg will be effected by cancellation of the CREST Depository Interests and transfer of an interest in such N&C Securities underlying the CREST Depository Interests to the account of the relevant participant with Euroclear or Clearstream, Luxembourg. The CREST Depository Interests will have the same ISIN as the ISIN of the Underlying Securities and will not require a separate listing on the Official List.

Holders of CREST Depository Interests are referred to Chapter 3 of the CREST Manual which contains the form of the CREST Deed Poll to be entered into by the CREST Depository. The rights of the holder of CREST Depository Interests will be governed by the arrangements between CREST, Euroclear, Clearstream, Luxembourg and the Issuer including the CREST Deed Poll executed by the CREST Depository. These rights may be different from those of holders of N&C Securities which are not represented by CREST Depository Interests.

## ***Book-Entry Clearance Systems***

If issued, CREST Depository Interests will be delivered, held and settled in CREST, by means of the CREST International Settlement Links Service (the "**CREST International Settlement Links Service**"). The settlement of the CREST Depository Interests by means of the CREST International Settlement Links Service has the following consequences for holders of CREST Depository Interests:

- (i) holders of CREST Depository Interests will not be the legal owners of the Underlying Securities. The CREST Depository Interests are separate legal instruments from the Underlying Securities to which they relate and represent an indirect interest in such Underlying Securities;
- (ii) the Underlying Securities themselves (as distinct from the CREST Depository Interests representing indirect interests in such Underlying Securities) will be held in an account with a custodian. The custodian will hold the Underlying Securities through a clearing system. Rights in the Underlying Securities will be held through custodial and depository links through the appropriate clearing systems. The legal title to the Underlying Securities or to interests in the Underlying Securities will depend on the rules of the clearing system in or through which the Underlying Securities are held;
- (iii) rights under the Underlying Securities cannot be enforced by holders of CREST Depository Interests except indirectly through the intermediary depositories and custodians described above. The enforcement of rights under the Underlying Securities will therefore be subject to the local law of the relevant intermediary. The rights of holders of CREST Depository Interests to the Underlying Securities are represented by the entitlements against the CREST Depository which (through the CREST Nominee) holds interests in the Underlying Securities. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Securities in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying Securities held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries;
- (iv) the CREST Depository Interests issued to holders of CREST Depository Interests will be constituted and issued pursuant to the CREST Deed Poll. Holders of CREST Depository Interests will be bound by all provisions of the CREST Deed Poll and by all provisions of or prescribed pursuant to, the CREST International Manual dated 14 April 2008 as amended, modified, varied or supplemented from time to time (the "**CREST Manual**") and the CREST Rules (the "**CREST Rules**") (contained in the CREST Manual) applicable to the CREST International Settlement Links Service and such holders must comply in full with all obligations imposed on them by such provisions;
- (v) the provisions of the CREST Deed Poll, the CREST Manual and the CREST Rules contain indemnities, warranties, representations and undertakings to be given by holders of CREST Depository Interests and limitations on the liability of the issuer of the CREST Depository Interests, the CREST Depository;
- (vi) holders of CREST Depository Interests may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the money invested by them. The attention of holders is drawn to the terms of the CREST Deed Poll, the CREST Manual and the CREST Rules, copies of which are available from CREST at 33 Cannon Street, London EC4M 5SB or by calling +44 (0) 207 849 0000 or from the CREST website at [www.euroclear.com/site/public/EUI](http://www.euroclear.com/site/public/EUI);
- (vii) holders of CREST Depository Interests may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service. These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the N&C Securities through the CREST International Settlement Links Service;
- (viii) neither the Issuer, the Guarantor, the Dealer nor any Paying Agent will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations; and

### ***Book-Entry Clearance Systems***

- (ix) N&C Securities issued in temporary global form exchangeable for a Permanent Global N&C Security will not be eligible for CREST settlement as CREST Depository Interests. As such, investors investing in the Underlying Securities through CREST Depository Interests will only receive the CREST Depository Interests after such Temporary Global N&C Security is exchanged for a Permanent Global N&C Security, which could take up to 40 days after the issue of the N&C Securities.



## ***Taxation***

### **TAXATION**

#### **1. United Kingdom Taxation**

*The following applies only to persons who are the beneficial owners of Securities and is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating only to United Kingdom withholding tax treatment of payments of principal and interest in respect of the Securities. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of the Securities. 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. The UK tax treatment of prospective Securityholders depends on their individual circumstances and may be subject to change in the future. Prospective Securityholders 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.*

#### **Payment of Interest on the N&C Securities**

##### ***Withholding on account of United Kingdom tax***

The Issuer, provided that it continues to be a bank for the purposes of section 991 of the Income Tax Act 2007 ("**ITA 2007**") and provided that the interest on the N&C Securities is paid in the ordinary course of its business within the meaning of section 878 of ITA 2007, will be entitled to make payments of interest without withholding or deduction for or on account of United Kingdom income tax. Interest will not be regarded as paid in the ordinary course of business where the borrowing relates to the capital structure of the bank. Borrowing relates to the capital structure if it is within the definitions of Tier 1, 2 or 3 capital adopted by the FSA, whether or not it actually counts towards Tier 1, 2 or 3 capital for regulatory purposes.

Payments of interest on the N&C Securities may be made without deduction of or withholding on account of United Kingdom income tax provided that the N&C Securities continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of ITA 2007. The London Stock Exchange is a recognised stock exchange. N&C Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the N&C Securities remain so listed, interest on the N&C Securities will be payable without withholding or deduction 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 N&C Securities may also be paid without withholding or deduction on account of United Kingdom tax where interest on the N&C Securities is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the N&C Securities 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 and Customs ("**HMRC**") has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

Interest on the N&C Securities may also be paid without withholding or deduction on account of United Kingdom tax where the maturity of the N&C Securities is less than 365 days and these N&C Securities do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, an amount must generally be withheld from payments of interest on the N&C Securities on account of United Kingdom income tax at the basic rate (currently 20.00 per cent.). 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 holder of an N&C Security, HMRC can issue a notice to the Issuer to pay interest to the holder of an N&C Security without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

## *Taxation*

### **Payments in respect of the Warrants**

#### *Withholding on account of United Kingdom tax*

Payments made on the exercise of Warrants may be made without deduction or withholding on account of United Kingdom income tax where such payments are not regarded as interest for United Kingdom tax purposes.

Even if such payments were to be regarded as interest for United Kingdom tax purposes, payments made by the Issuer on the exercise of Warrants issued by the Issuer may be made without deduction or withholding on account of United Kingdom income tax, provided that the Issuer continues to be a bank within the meaning of section 991 of ITA 2007, and provided that any such interest is paid in the ordinary course of its business as discussed above.

Furthermore, the Issuer should not be required to deduct sums for or on account of United Kingdom income tax from payments made on the exercise of Warrants issued by the Issuer which are derivative contracts, the profits and losses arising from which are calculated in accordance with the provisions of Part 7 of the Corporation Tax Act 2009.

#### *Taxation of Profits and Gains of United Kingdom resident individuals*

##### *Capital gains tax*

Gains arising to an individual as a result of acquiring then exercising or otherwise disposing of a "qualifying option" are generally charged to tax under the capital gains tax rules in the Taxation of Chargeable Gains Act 1992 ("**TCGA 1992**"). Options which are listed on a recognised stock exchange at the time of disposal are qualifying options. The Warrants will satisfy this listing requirement if they are at the time of disposal included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange.

Provided, therefore, that the Warrants are options and remain so listed, an individual holding such a Warrant (a "**Qualifying Warrant**") should be charged to tax on any gain made on the disposal of the Qualifying Warrant under the capital gains tax rules in TCGA 1992, described below. This means that such a Warrantholder should, on the disposal of a Qualifying Warrant, be entitled to make a tax-free gain in any tax year equal to the annual exempt amount (which is £10,600 for the tax year 2012-13), assuming the annual exemption has not been utilised in relation to another gain in the same year.

The base cost of a Qualifying Warrant for capital gains tax purposes will generally be calculated by reference to the amount paid for a Qualifying Warrant by a Warrantholder. Accordingly, on the disposal of a Qualifying Warrant by sale, a Warrantholder should, subject to the availability of the annual exempt amount (see above), be charged to capital gains tax on the chargeable gain arising on the disposal (calculated by comparing the amount received on disposal with the base cost).

In the case of a Physical Delivery Warrant, the acquisition of the Qualifying Warrant and the acquisition of a new asset on the exercise of such a Qualifying Warrant is treated as a single transaction for capital gains tax purposes, so that, the base cost of the new asset is calculated by reference to the amount paid for the Qualifying Warrant plus the amount paid for the new asset. The exercise of such a Qualifying Warrant is not treated as a disposal of the Warrant. Accordingly, no charge to capital gains tax will arise on the exercise of such a Qualifying Warrant. However, a disposal of the new asset acquired on the exercise of a Warrant may give rise to a charge to capital gains tax, if a gain arises on that disposal.

In the case of a Cash Settled Warrant, the exercise of the Qualifying Warrant will be treated as a disposal. The cash amount received on the exercise will be treated as the consideration for the disposal. The amount paid for a Qualifying Warrant will be treated as the base cost for the purposes of calculating any capital gain arising on the exercise of the Qualifying Warrant.

Warrants that are not Qualifying Warrants for example because they are not options for tax purposes may be taxed in a different way to Qualifying Warrants.

##### *Disposals of futures and options involving guaranteed returns*

Any Warrant which is (either alone or taken together with other related transactions) designed to produce a return that equates, in substance, to the return on an investment of money at interest may not be taxed in accordance with the rules described above. Any

## ***Taxation***

profit or gain arising in relation to such a Warrant may instead be charged to tax as income under Chapter 12 of Part 4 of the Income Tax (Trading and Other Income) Act 2005, without the benefit of the annual exempt amount.

### ***Individual Savings Accounts ("ISAs"), Self-invested Personal Pensions ("SIPPs") and Small Self-administered Schemes ("SSASs")***

Warrants will not qualify for inclusion within an ISA.

The Warrants should generally be capable of being held within a SIPP or a SSAS that is a registered pension scheme. However, Warrantholders should obtain independent advice in relation to the tax treatment of Warrants held within such a SIPP or SSAS.

### ***Taxation of Profits and Gains of United Kingdom resident companies***

Part 7 of the Corporation Tax Act 2009 applies to "derivative contracts" of United Kingdom resident companies and of United Kingdom permanent establishments of non-UK resident companies. Subject to certain exceptions, where Part 7 applies to a contract, all income, profits and gains will generally be taxed on an income basis (whether they arise from acquiring, holding, disposing or exercising rights under the contract) consistently with the way those profits are recognised in accordance with United Kingdom generally accepted accounting practice or international financial reporting standards. Accordingly, any income, profit or gains in relation to Warrants which fall within the derivative contracts tax regime in Part 7 will generally be charged to tax as income.

Warrants which are not treated as derivative contracts and which are not taxed on an income basis should generally be taxed in accordance with the capital gains rules set out above under the heading "Capital gains tax" except that companies do not benefit from an annual exemption. United Kingdom companies may be entitled to an indexation allowance on the disposal of a Warrant.

### **Stamp Duty and Stamp Duty Reserve Tax ("SDRT") in respect of the Securities**

A charge to stamp duty or SDRT may, in certain circumstances, arise on the issue, transfer and/or settlement of Securities and SDRT may also be payable in relation to any agreement to transfer Securities. This will depend upon the Terms and Conditions of the relevant Securities (as amended and supplemented by the applicable Final Terms). Securityholders should take their own advice from an appropriately qualified professional adviser in this regard.

### **Reporting of information in respect of the Securities**

Where amounts which are regarded as interest are payable in respect of Securities, Securityholders may wish to note that, in certain circumstances, HMRC 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 or credits interest to or receives interest for the benefit of a Securityholder. HMRC also has power, in certain circumstances, to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Securities 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 another person, although HMRC's published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of amounts payable on the redemption of deeply discounted securities where such amounts are paid on or before 5 April 2013. 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 HMRC with the tax authorities of the jurisdiction in which the Securityholder is resident for tax purposes.

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income (which has been implemented into UK law) Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during such period they elect otherwise) to impose a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

## *Taxation*

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

### **2. U.S. Taxation**

#### **U.S. FEDERAL INCOME TAXATION**

**TO ENSURE COMPLIANCE WITH U.S. INTERNAL REVENUE SERVICE (IRS) CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.**

The following summary describes certain U.S. federal income tax considerations that may be relevant to a holder who purchases an N&C Security, but does not purport to be a comprehensive description of all of the tax considerations that may be relevant to any particular investor in an N&C Security including tax considerations that arise from rules of general application to all taxpayers or to certain classes of investors or that are generally assumed to be known by investor. In particular, this summary deals only with "U.S. holders" of N&C Securities and addresses only those holders who purchase in the initial offering at the applicable issue price and in whose hands the N&C Securities, or the stock, debt, commodity or other property underlying the N&C Securities would be capital assets for U.S. federal income tax purposes. In addition, this discussion assumes that the N&C Securities that are treated as options for U.S. federal income tax purposes, when issued, are not significantly "in-the-money".

This summary also does not discuss the U.S. federal income tax treatment of a U.S. holder who is a member of a class of holders subject to special rules, such as a dealer in securities, commodities or derivative financial instruments, a trader in securities, commodities or derivative financial instruments that elects to use a mark-to-market method of accounting for securities or commodities holdings, a bank, a life insurance company, a tax-exempt organisation, entities that are treated for U.S. federal income tax purposes as partnerships or other pass-through entities, an investor who purchases an N&C Security with respect to stock in a company that is treated as a passive foreign investment company ("PFIC") for U.S. federal income tax purposes, an investor who purchases an N&C Security and holds any other position (whether long or short, direct or indirect) in any asset underlying such option, an investor who purchases an N&C Security that is part of a hedging transaction or that has been hedged against currency risk, an investor who purchases an N&C Security that is part of a straddle or conversion transaction for U.S. federal income tax purposes, and an investor whose functional currency for U.S. federal income tax purposes is not the U.S. dollar.

As a consequence of the foregoing, it should be particularly noted that this summary does not address the special tax considerations that apply to an investment in a combination of N&C Securities with respect to the same underlying assets. Further, this summary does not address alternative minimum tax consequences or the indirect effects on the holders of equity interests in a holder of an N&C Security.

Any of the foregoing circumstances might substantially alter the tax consequences described below, and, in some instances, may require specific identification of positions in the relevant N&C Security before the close of the day on which they are acquired. For example, if the straddle rules were to apply, a U.S. holder of an N&C Security might be required to (i) recognise all or a portion of any gain on such N&C Security that would otherwise be long-term or short-term capital gain, as ordinary income or, if applicable, short-term capital gain, (ii) defer all, or a portion, of any loss realised upon the sale, exchange, exercise, cancellation or lapse of such N&C Security and (iii) capitalise any interest or carrying charges incurred by such U.S. holder with respect to such N&C Security.

Special tax rules apply to a U.S. person that invests in a debt instrument that is not in "registered form" (as specially defined for applicable U.S. federal income tax purposes). Accordingly, this summary does not address the U.S. federal income tax consequences of an investment by a U.S. holder in a N&C Security that is (or a component of which is) a Bearer N&C Security (other than an Immobilised Bearer structure). U.S. holders should consult their tax advisors with regard to debt instruments that are not in registered form.

## ***Taxation***

*This summary does not address the material U.S. federal income tax consequences of every type of Security which may be issued under the Programme. Additional U.S. federal income tax consequences, if any, applicable to a particular Security may be set forth in the applicable Final Terms.*

**The rules governing the taxation of option transactions and derivative financial instruments are complex and depend on a taxpayer's particular circumstances. U.S. holders are strongly urged to consult their tax advisers concerning the U.S. federal, state, local, foreign and other national tax consequences of the ownership and disposition of Securities in their particular circumstances. U.S. holders should also consult their tax advisers as to the possibility of changes of law affecting taxation of derivative financial instruments with contingent payments, including prepaid forward contracts. Prospective investors should consult their tax advisers regarding the U.S. federal, state, local and foreign tax consequences of acquiring, owning and disposing of the Securities in light of such investor's own circumstances, including such investor's status as a U.S. holder or non-U.S. holder (as defined below), as well as any other estate, gift, or other tax consequences that may arise under the laws of any state, local, foreign or other taxing jurisdiction.**

For purposes of this discussion, a "U.S. holder" means a beneficial owner of an N&C Security that is:

- (i) a citizen or individual resident of the United States, as defined in Section 7701(b) of the Code,
- (ii) a corporation, including any entity treated as a corporation for U.S. federal income tax purposes, created or organised in or under the laws of the United States, any State thereof or the District of Columbia;
- (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source;
- (iv) a trust if (x) a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust, or (y) such trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person;
- (v) otherwise subject to U.S. federal income taxation on a net income basis in respect of the N&C Security.

If a partnership holds an N&C Security, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. Partners in partnerships holding an N&C Security should consult their tax advisers regarding the U.S. federal income tax consequences of acquiring, owning, exchanging and disposing of the N&C Securities.

This summary is based upon the Internal Revenue Code of 1986 (the "**Code**"), existing and proposed regulations promulgated thereunder, and published rulings and court decisions, all as in effect and existing on the date of this Prospectus and all of which are subject to change at any time with retrospective or prospective effect.

### **Classification of the N&C Securities**

Depending on the terms of an N&C Security, such N&C Security could be treated as one or more of the following: (i) a prepaid forward contract (which, depending on the terms, may be subject to embedded options), (ii) a combination of a loan and a prepaid forward contract, (iii) an outright or constructive ownership interest in the property underlying such N&C Security, or (iv) a debt instrument with or without contingent payments. Additional U.S. federal income tax consequences applicable to a particular issuance of N&C Securities may be set forth in the applicable Final Terms.

The Issuer generally intends to treat N&C Securities issued under the Programme as debt, but other tax treatment may be indicated in the applicable Final Terms. No ruling is being requested from the IRS with respect to the N&C Securities, and the treatment of the N&C Securities described below is not binding on the IRS or the courts. As a result, significant aspects of the U.S. federal income tax consequences of an investment in the N&C Securities are uncertain and holders may be subject to a variety of U.S. tax consequences depending on the subject and the terms of the N&C Securities. *Holders should consult their own advisers about the tax consequences of purchasing N&C Securities, particularly whether the N&C Securities being acquired could be treated as another type of financial instrument.*

## ***Taxation***

### **Debt**

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Securities treated as debt for U.S. federal tax purposes.

#### *Payment of Interest*

Interest on an N&C Security, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars ("foreign currency" interest on a "**Foreign Currency Security**"), other than interest on a "**Discount Security**" that is not "qualified stated interest" (each as defined below under "Original Issue Discount —General"), will be taxable to a U.S. holder as ordinary income at the time it is received or accrued, depending on the U.S. holder's method of accounting for tax purposes. Interest paid by the Issuer on the N&C Securities and original issue discount ("**OID**"), if any, accrued with respect to the N&C Securities (as described below under "Original Issue Discount") generally will constitute income from sources outside the United States subject to the rules regarding the foreign tax credit allowable to a U.S. holder. Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of any payment of foreign taxes in respect of the N&C Securities.

#### *Original Issue Discount*

##### *General*

The following is a summary of the principal U.S. federal income tax consequences of the ownership of N&C Securities issued with OID. The following summary does not discuss N&C Securities that are characterised as contingent payment debt instruments for U.S. federal income tax purposes (see "Contingent Payment Debt Instruments" below). *To the extent the Issuer determines that an N&C Security constitutes a "Contingent Payment Debt Instrument", a more detailed description of the tax considerations relevant to U.S. holders of a contingent debt obligations may be provided in the applicable Final Terms.*

An N&C Security, other than an N&C Security with a term of one year or less, will generally be treated as issued with OID (a "**Discount Security**") if the excess of the N&C Security's "stated redemption price at maturity" over its issue price is equal to or more than a *de minimis* amount (0.25 per cent. of the N&C Security's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "*instalment obligation*") will be treated as a Discount Security if the excess of the N&C Security's stated redemption price at maturity over its issue price is equal to or greater than 0.25% of the N&C Security's stated redemption price at maturity multiplied by the weighted average maturity of the N&C Security. An N&C Security's weighted average maturity is the sum of the following amounts determined for each payment on an N&C Security (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the N&C Security's stated redemption price at maturity. Generally, the issue price of an N&C Security will be the first price at which a substantial amount of N&C Securities included in the issue of which the N&C Security is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of an N&C Security is the total of all payments provided by the N&C Security that are not payments of "qualified stated interest." A qualified stated interest payment is generally any one of a series of stated interest payments on an N&C Security that are unconditionally payable at least annually at a single fixed rate, or a variable rate (as described below under "Variable Interest Rate Securities"), applied to the outstanding principal amount of the N&C Security. Solely for the purposes of determining whether an N&C Security has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the N&C Security, and the U.S. holder will be deemed to exercise any put option that has the effect of increasing the yield on the N&C Security. If an N&C Security has *de minimis* OID, a U.S. holder must include the *de minimis* amount in income as stated principal payments are made on the N&C Security, unless the U.S. holder makes an election to treat all interest as OID.

U.S. holders of Discount Securities must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Securities. The amount of OID includible in income by a U.S. holder of Discount Securities is the sum of the daily portions of OID with respect to the Discount Securities for each day during the taxable year or portion of the taxable year on which the U.S. holder holds the Discount Securities. The amount of OID allocable to an accrual period (and pro rata to every day in the accrual period) equals the excess of (a) the product of the Discount Security's adjusted issue price at the beginning of the accrual period and the Discount Security's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly

## ***Taxation***

adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Discount Security allocable to the accrual period. The "adjusted issue price" of a Discount Security at the beginning of any accrual period is the issue price of the Discount Security increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Discount Security that were not qualified stated interest payments.

### *Election to Treat All Interest as Original Issue Discount*

A U.S. holder may elect to include in gross income all interest that accrues on an N&C Security using the constant-yield method described above under "Original Issue Discount — General" with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount, as adjusted by any amortisable bond premium (described below under "*N&C Securities Purchased at a Premium*") or acquisition premium. If a U.S. holder makes this election for the N&C Security, then, when the constant-yield method is applied, the issue price of the N&C Security will equal its cost, the issue date of the N&C Security will be the date of acquisition, and no payments on the N&C Security will be treated as payments of qualified stated interest. This election will generally apply only to the N&C Security with respect to which it is made and may not be revoked without the consent of the IRS. However, if the N&C Security has amortisable bond premium, the U.S. holder will be deemed to have made an election to apply amortisable bond premium against interest for all debt instruments with amortisable bond premium, other than debt instruments the interest on which is excludible from gross income, held as of the beginning of the taxable year to which the election applies or any taxable year thereafter.

### *Variable Interest Rate Securities*

Some of the N&C Securities that provide for interest at variable rates ("**Variable Interest Rate Securities**") will bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under Treasury Regulations governing accrual of OID. A Variable Interest Rate Security will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total noncontingent principal payments due under the Variable Interest Rate Security by more than a specified *de minimis* amount and (b) it provides for stated interest, paid or compounded at least annually, at current values of (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate.

A "qualified floating rate" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Security is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35, whether or not a variable rate is increased or decreased by a fixed rate. A variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the N&C Security.

An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer).

A qualified inverse floating rate is any objective rate which is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate – the value of the rate on any day that is no earlier than 3 months prior to the first day on which that value is in effect and no later than 1 year following that first day.

A Variable Interest Rate Security that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" will generally not be treated as having been issued with OID unless the Variable Interest Rate Security is issued at a "true discount" (i.e., at a price below the N&C Security's stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Security arising from true discount is allocated to an accrual period using the constant yield method described above.

## *Taxation*

In general, any other Variable Interest Rate Security that qualifies as a "variable rate debt instrument" will be converted into an equivalent fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Security. Such a Variable Interest Rate Security must be converted into an equivalent fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Security with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Security's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Security is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Security. In the case of a Variable Interest Rate Security that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Security provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Security as of the Variable Interest Rate Security's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Security is converted into an equivalent fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Security is converted into an equivalent fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the equivalent fixed rate debt instrument by applying the general OID rules to the equivalent fixed rate debt instrument and a U.S. holder of the Variable Interest Rate Security will account for the OID and qualified stated interest as if the U.S. holder held the equivalent fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the equivalent fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Security during the accrual period.

If a Variable Interest Rate Security, such as an N&C Security the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Security will be treated as a contingent payment debt instrument. Prospective purchasers should consult with their own tax advisers concerning the proper U.S. federal income tax treatment of Variable Interest Rate Securities that are treated as contingent payment debt.

### *Short-Term N&C Securities*

In the case of an N&C Security with a term of one year or less (a "short-term security"), the OID rules treat none of the interest payable as qualified stated interest and all of the interest will be included in the N&C Security's stated redemption price at maturity. Thus, all short-term securities will have OID.

In general, an individual or other cash basis U.S. holder of a short-term security is not required to accrue OID for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). In the case of a U.S. holder not required and not electing to include OID in income currently, any gain realized on the sale or retirement of the short-term security will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. holders who are not required to accrue OID (and do not elect to accrue OID) on short-term securities will be required to defer deductions for interest on borrowings allocable to such securities (in an amount not exceeding the deferred income) until the securities mature or are disposed of in a taxable transaction. Accrual basis U.S. holders and certain other U.S. holders are required to accrue OID on short-term securities with a term of one year or less on a straight-line basis or, if the U.S. holder so elects, under the constant-yield method (based on daily compounding).

### *N&C Securities Purchased at a Premium*

A U.S. holder that purchases an N&C Security for an amount in excess of its principal amount, or for a Discount Security, its stated redemption price at maturity, may elect to treat the excess as "amortisable bond premium", in which case the amount required to be included in the U.S. holder's income each year with respect to interest on the N&C Security will be reduced by the amount of amortisable bond premium allocable (based on the N&C Security's yield to maturity) to that year. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the



## ***Taxation***

U.S. holder, and is irrevocable without the consent of the IRS. A U.S. holder that does not elect to take bond premium into account currently will recognise a capital loss when the N&C Security matures.

### *Purchase, Sale and Retirement of N&C Securities*

A U.S. holder's tax basis in an N&C Security will generally be its cost, increased by the amount of any OID included in the U.S. holder's income with respect to the N&C Security and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortisable bond premium applied to reduce interest on the N&C Security.

A U.S. holder will generally recognise gain or loss on the sale, exchange, retirement or other taxable disposition of an N&C Security equal to the difference between the amount realised on the disposition and the U.S. holder's adjusted tax basis in the N&C Security. Except to the extent described above under "*Original Issue Discount—Short-Term Securities*" or attributable to accrued but unpaid interest or changes in exchange rates, gain or loss recognised on the sale or retirement of an N&C Security will be capital gain or loss.

### *Foreign Currency N&C Securities*

#### *Interest*

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. holder, the part of the period within the taxable year).

Under the second method, the U.S. holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of an N&C Security) denominated in, or determined by reference to, a foreign currency, the U.S. holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

#### ***OID***

OID for each accrual period on a Discount Security that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. holder, as described above under "*Foreign Currency Securities—Interest*". Upon receipt of an amount attributable to OID (whether in connection with a payment on the N&C Security or a sale of the N&C Security), a U.S. holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

## ***Taxation***

### **Bond Premium**

Bond premium on an N&C Security that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency.

On the date bond premium offsets interest income, a U.S. holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the N&C Securities were acquired by the U.S. holder.

### **Purchase, Sale and Retirement of Foreign Currency Securities**

As discussed above under "*Purchase, Sale and Retirement of N&C Securities*", a U.S. holder will generally recognise gain or loss on the sale or retirement of an N&C Security equal to the difference between the amount realised on the sale or retirement and its tax basis in the N&C Security. A U.S. holder's tax basis in a Foreign Currency Security will be determined by reference to the U.S. dollar cost of the N&C Security. The U.S. dollar cost of an N&C Security purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of N&C Securities traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis U.S. holder (or an accrual basis U.S. holder that so elects), on the settlement date for the purchase.

The amount realised on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement or, in the case of N&C Securities traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis U.S. holder (or an accrual basis U.S. holder that so elects), on the settlement date for the sale. Such an election by an accrual basis U.S. holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. holder will recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of an N&C Security equal to the difference, if any between the U.S. dollar values of the U.S. holder's purchase price for the N&C Security (or, if less, the principal amount of the N&C Security) (i) on the date of sale or retirement and (ii) the date on which the U.S. holder acquired the N&C Security. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement.

### **Disposition of Foreign Currency**

Foreign currency received as interest on an N&C Security or on the sale or retirement of an N&C Security will generally have a tax basis equal to its U.S. dollar value at the time the interest is received or at the time of the sale or retirement. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognised on a sale or other disposition of a foreign currency (including its use to purchase N&C Securities or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

### **Substitution of Issuer**

The terms of the N&C Securities provide that, in certain circumstances, the obligations of the Issuer under the N&C Securities may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of N&C Securities by a U.S. holder in exchange for new N&C Securities issued by the new obligor. As a result of this deemed disposition, a U.S. holder could be required to recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new N&C Securities (as determined for U.S. federal income tax purposes), and the U.S. holder's tax basis in the N&C Securities. U.S. holders should consult their tax advisors concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the N&C Securities.

## ***Taxation***

### **Other Treatments**

#### *Tax Treatment of Prepaid Forward Contracts (With or Without a Loan)*

If any N&C Securities are treated as prepaid forward contracts (with or without a loan) for U.S. federal income tax purposes, the following description should apply to such N&C Securities.

#### *Interest Payments*

Payments of interest (if any) will be taxable to a U.S. holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. holder's regular method of tax accounting).

#### *Physical Settlement*

If the N&C Securities are treated as (prepaid) forward contracts, a U.S. holder who receives underlying stock or debt pursuant to the settlement of an N&C Security that the U.S. holder has purchased will generally not recognise gain or loss on such settlement. The U.S. holder will generally be treated as acquiring the property underlying the N&C Security, as of the date of settlement, in exchange for the amount that it paid to acquire the N&C Securities.

#### *Cash Settlement, Sale, or Other Disposition of the N&C Securities*

If the N&C Securities are treated in whole or in part as prepaid forward contracts, upon the receipt of cash upon settlement of an N&C Security or upon the sale or other disposition of such N&C Security, a U.S. holder generally will recognise taxable gain or loss equal to the difference between the amount realised (generally, the amount of cash received) and such U.S. holder's tax basis in the N&C Security. In general, a U.S. holder's tax basis in an N&C Security will equal the amount that such U.S. holder paid to acquire the N&C Security. Subject to the discussion below under "*Constructive Ownership*," any such gain or loss generally will be long-term capital gain or loss if the N&C Security was held for more than one year at the time of settlement or at the time of sale or other disposition.

#### *Constructive Ownership*

Some or all of the net long-term capital gain arising from certain "constructive ownership" transactions may be characterised as ordinary income, in which case an interest charge would be imposed on any such ordinary income. These rules have no immediate application to forward contracts in respect of most property underlying the N&C Securities, because they are only applicable to the extent that the underlying property directly or indirectly includes shares of issuers treated as PFICs or as certain other "pass-through" entities. These rules, however, grant discretionary authority to the U.S. Treasury Department (the "**Treasury**") to expand the scope of "constructive ownership" transactions to include forward contracts in respect of the stock of all corporations, in addition to forward contracts in respect of any debt instrument. The rules also separately direct the Treasury to promulgate regulations excluding a forward contract that does not convey "substantially all" of the economic return on any underlying asset from the scope of "constructive ownership" transactions. It is not possible to predict whether such regulations will be promulgated by the Treasury, or the form or effective date that any regulations that may be promulgated might take.

#### *Interest in the Underlying Property*

Depending on the terms of particular N&C Securities, a U.S. holder could be treated as owning the property underlying those N&C Securities for U.S. federal income tax purposes. In that event, for example, in the case of Equity Index Linked Securities, the U.S. holder would be required to recognise appropriate amounts of capital gain on the disposition of any shares included in the underlying index each time that the particular index is rebalanced. In such a case, such U.S. holder also would be subject to tax on dividends on shares included in the Index in an amount equal to the gross dividends paid by the companies whose shares are included in the Index. In addition, any current expenses (including any withholding taxes) in respect of shares included in the Index would be treated as if made directly by the U.S. holder, and the deductibility of such expenses (or creditability of such withholding taxes) could be subject to certain limitations.

#### *Contingent Payment Debt Instruments*

## ***Taxation***

If any N&C Securities are treated as contingent payment debt instruments, the tax consequences to a U.S. holder would be determined under U.S. Treasury Regulations governing contingent payment debt instruments (the "**Contingent Payment Regulations**"). The Contingent Payment Regulations are complex, but very generally apply the OID rules of the Code to a contingent payment debt instrument by requiring that OID be accrued by the U.S. holder every year at a "comparable yield" for the issuer of the instrument, determined at the time of issuance of the obligation. In addition, the Contingent Payment Regulations require that a projected payment schedule, which results in such a "comparable yield" be determined by the issuer. Further, a U.S. holder will be required to make adjustments to income accruals to account for differences between the actual payments received by the U.S. holder and the projected amounts of such payments. To the extent that the actual payments received by a U.S. holder exceed the projected payments on a contingent debt instrument in any taxable year, the owner of that instrument will recognise ordinary interest income for that taxable year equal to the amount of such excess. In addition, any gain realised on the sale, exchange or redemption of a contingent payment debt instrument will be treated as ordinary income. Any loss realised on such sale, exchange or redemption will be treated as an ordinary loss to the extent that the U.S. holder's OID inclusions with respect to the obligation exceed prior reversals of such inclusions required by the adjustment mechanism described above. Any loss realised in excess of such amount generally will be treated as a capital loss.

### *Loan and One or More Options*

If any N&C Securities are treated as a combination of a loan (or deposit) and one or more options, in general, payments of interest (if any) will be taxable to a U.S. holder as ordinary interest income at the time that such payments are accrued or are received (in accordance with the U.S. holder's regular method of tax accounting), while payments in respect of the options would be taxable in a manner described below.

*Premium.* Premium paid by a U.S. holder in respect of an option will generally be treated as a non-deductible capital expenditure and premium received by a U.S. holder in respect of an option that it is deemed to write will generally not be includible in income upon receipt. As described in the following two sections, the amount of such premium will be taken into account upon the sale, transfer, cash settlement, or lapse of the N&C Security.

*Physical Settlement.* A U.S. holder who receives the underlying property pursuant to the exercise of an option that the U.S. holder has purchased will generally not recognise gain or loss on such exercise. Instead, the U.S. holder will generally be treated as purchasing the underlying property as of the exercise date in exchange for the sum of the exercise price and the amount of the premium that the U.S. holder paid for the option. The U.S. holder's holding period for the underlying property will begin on the day after the date of exercise or, in the case of stock or corporate securities, on the exercise date.

A U.S. holder who delivers the property underlying an option pursuant to the exercise of such option that the U.S. holder has written will generally be treated as selling the underlying property as of the exercise date. Accordingly, such a U.S. holder will generally recognise capital gain or loss equal to the difference between (i) the sum of the exercise price and the amount of the premium that the U.S. holder received for the option and (ii) the U.S. holder's tax basis in the underlying property. Such capital gain or loss generally will be long-term capital gain or loss if the underlying property was held for more than one year.

*Sale, Transfer, Cash Settlement, or Lapse.* A U.S. holder who has purchased an option will generally recognise capital gain or loss upon the sale, transfer, cash settlement or lapse of the option in an amount equal to the difference between (i) the amount realised by the investor from such sale, transfer, settlement, or lapse and (ii) the amount of the premium that the investor paid for the option. Such capital gain or loss will be long-term capital gain or loss if the option was held for more than one year.

*Mark-to-Market Rules.* Under Section 1256 of the Code, special mark-to-market and character rules apply in the case of certain "nonequity" options and foreign currency contracts. Unless the N&C Securities (other than N&C Securities denominated in a currency other than the U.S. dollar) are listed on a "qualified board or exchange" for purposes of Section 1256 of the Code, however, these mark-to-market rules will not be applicable to U.S. holders of the N&C Securities. Where relevant, the application of the Section 1256 of the Code rules to Securities denominated in a currency other than the U.S. dollar may be discussed in the applicable Final Terms.

### *Possible Alternative Tax Treatment*

If an N&C Security is treated as a unit consisting of a loan and a forward contract, a U.S. holder could be required to accrue a significant amount of OID on a current basis during the period in which it holds the N&C Security.

## ***Taxation***

It is also possible that future regulations or other IRS guidance would require a U.S. holder to accrue income on the N&C Securities on a current basis. The IRS and the Treasury recently issued proposed regulations that require the current accrual of income with respect to contingent non-periodic payments made under certain notional principal contracts. The preamble to the regulations states that the "wait and see" method of tax accounting does not properly reflect the economic accrual of income on such contracts, and requires a current accrual of income with respect to some contracts already in existence at the time the proposed regulations were released. While the proposed regulations do not apply to prepaid forward contracts, the preamble to the proposed regulations expresses the view that similar timing issues exist in the case of prepaid forward contracts. If the IRS published future guidance requiring current accrual of income with respect to contingent payments on prepaid forward contracts, it is possible that a U.S. holder could be required to accrue income over the term of the Securities.

On 7 December, 2007, the IRS released a notice (Notice 2008-2) that may affect the taxation of holders of the N&C Securities. According to the notice, the IRS and the Treasury are actively considering whether the U.S. holder of an instrument such as certain Securities should be required to accrue ordinary income on a current basis, and they are seeking taxpayer comments on the subject. It is not possible to determine what guidance they will ultimately issue, if any. It is possible, however, that under such guidance, U.S. holders of the N&C Securities will ultimately be required to accrue income currently and this could be applied on a retroactive basis. The IRS and the Treasury are also considering other relevant issues, including whether additional gain or loss from such N&C Securities should be treated as ordinary or capital, and whether the special "constructive ownership rules" of Section 1260 of the Code might be applied to such Securities. U.S. holders are urged to consult their tax advisers concerning the significance, and the potential impact, of the above considerations. The Issuer intends to continue treating the Securities for U.S. federal income tax purposes in accordance with the treatment described in this Prospectus unless and until such time as the Treasury and IRS determine that some alternative treatment is more appropriate.

### *Securities Denominated in a Specified Currency Other Than the U.S. Dollar*

Payments of premium, exercise price, sale proceeds, and cash settlement amounts in respect of N&C Certificates that are denominated in a currency other than the U.S. dollar will be subject to special U.S. tax rules regarding foreign currency transactions.

If appropriate, additional U.S. federal income tax consequences may be set forth in the applicable Final Terms. U.S. holders should consult their own tax advisors concerning the application of these rules in their particular circumstances.

### **Information Reporting and Backup Withholding**

The relevant Agent may be required to file information returns with the IRS with respect to payments made to certain holders under, or in respect of, the Securities. In addition, certain U.S. holders may be subject to backup withholding tax in respect of such payments if they do not provide their taxpayer identification numbers to the relevant Agent or otherwise comply with the applicable backup withholding requirements.

Backup withholding is not an additional tax. Any amounts withheld from a payment to a holder under the backup withholding rules will be allowed as a credit against the holder's United States federal income tax liability and may entitle the holder to a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the IRS and furnishing all required information.

### **3. Italian Taxation**

*The following is a summary of current Italian law and practice relating to the taxation of the Securities. The statements herein regarding taxation are based on the laws in force in Italy as at the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in laws and if such a change occurs the information in this summary could become invalid. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Securities and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Securities are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Securities. With regard to certain innovative or structured financial instruments there is currently neither case law nor comments of the Italian tax authorities as to the tax treatment of such financial instruments. Accordingly, it cannot be excluded that the Italian tax authorities and courts or Italian intermediaries may adopt a view different from that outlined below.*

## **Taxation**

*This summary does not describe the tax consequences for an investor with respect to Securities that will be redeemed by physical delivery. Prospective investors are advised to consult their own tax advisers concerning the overall tax consequences under Italian tax law, under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of Securities and receiving payments of yield, principal and/or other amounts under the Securities, including in particular the effect of any state, regional or local tax laws. This summary does not describe the tax consequences for an investor with respect to Securities that provide dividend payout linked to the profits of the Issuer, profits of other company of the group or profits of the business in relation to which they are issued. Prospective investors are advised to consult their own tax advisers concerning the overall tax consequences under Italian tax law, under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction*

*With reference to each issue of Securities, a tailored tax section regarding such issue will be included in the relevant Final Terms.*

### **Italian tax treatment of the Securities**

The Securities may be subject to different tax regimes depending on whether:

- they represent a debt instrument implying a use of capital (*impiego di capitale*); or
- they represent derivative financial instruments or bundles of derivative financial instruments.

Depending on the features of the Securities, one of the following Italian tax treatments may apply:

#### **(1) Tax treatment of Notes qualifying as debentures similar to bonds**

Legislative Decree No. 239 of 1 April 1996, as subsequently amended ("**Decree 239**"), provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from Notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, *inter alia*, by non-Italian resident.

For these purposes, debentures similar to bonds are defined as debt instruments that incorporate an unconditional obligation to pay, at maturity, an amount not less than their nominal value (whether or not providing for interim payments) and that do not give any right to directly or indirectly participate in the management of the issuer or of the business in relation to which they are issued nor any type of control on the management.

#### *Italian Resident investor*

Where the Italian resident investor is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the "*risparmio gestito*" regime – see "Capital Gains Tax" below), (ii) a non-commercial partnership pursuant to article 5 of the Italian Income Consolidated Code ("**TUIR**") (with the exception of general partnership, limited partnership and similar entities), (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 20 per cent. In the event that the investor described under (i) and (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident investor is a company or similar commercial entity pursuant to article 73 of TUIR or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorised intermediary, interest and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant investor's income tax return and are therefore subject to general Italian corporate taxation ("**IRES**" levied at the rate of 27.5 per cent) and, in certain circumstances, depending on the "*status*" of the investor, also to the regional tax on productive activities ("**IRAP**", generally levied at the rate of 3.90 per cent, even though regional surcharges may apply).

If the investor is resident in Italy and is an open-ended or closed-ended investment fund (subject to the regime provided for by Law No. 77 of 23 March 1983, the "**Fund**") or an open-ended investment company (i.e. *Società di Investimento a Capitale Variabile*, "**SICAV**"), and the Notes are held by an authorized intermediary, interest, premium and other income accrued during the holding

## *Taxation*

period on the Notes will not be subject to *imposta sostitutiva* but must be included in the management result of the Fund or the SICAV. The Fund or SICAV will not be subject to taxation on such result, but a substitutive tax will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the "**Collective Investment Fund Substitutive Tax**").

Where an Italian resident investor is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an *ad-hoc* 11 per cent. substitute tax.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, *Società di intermediazione mobiliare* ("**SIMs**"), fiduciary companies, Società di gestione del risparmio ("**SGRs**"), stockbrokers and other entities identified by a decree of the Ministry of Economics and Finance (each, an "**Intermediary**").

For the Intermediary to be entitled to apply the *imposta sostitutiva*, it must (i) be (a) resident in Italy or (b) resident outside Italy, with a permanent establishment in Italy or (c) an entity or a company not resident in Italy, acting through a system of centralised administration of securities and directly connected with the Department of Revenue of the Italian Ministry of Finance having appointed an Italian representative for the purposes of Decree 239; and (ii) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a investor. If interest and other proceeds on the Notes are not collected through an Intermediary or any entity paying interest and as such no *imposta sostitutiva* is levied, the Italian resident beneficial owners listed above under (i) to (iv) will be required to include interest and other proceeds in their yearly income tax return and subject them to a final substitute tax at a rate of 20 per cent.

### *Non-Italian Resident investor*

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident investor of interest or other income relating to the Notes provided that, if the Notes are held in Italy, the non-Italian resident investor declares itself to be a non-Italian resident according to Italian tax regulations.

### *Capital Gains Tax*

Where the Italian resident investor is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected, (ii) a non-commercial partnership, pursuant to article 5 of TUIR (with the exception of general partnership, limited partnership and similar entities) (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, capital gains realised under the sale or the exercise of Notes are subject to a 20 per cent. substitute tax (*imposta sostitutiva*).

The recipient may opt for three different taxation criteria.

- (A) Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for taxation of capital gains realised by Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a yearly cumulative basis, on all capital gains, net of any off-settable capital loss, realised by the Italian resident individual holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Capital losses realised before 1 January 2012 may be carried forward to be offset against subsequent capital gains of the same nature for an overall amount of 62.5 per cent. of the relevant capital losses.
- (B) As an alternative to the tax declaration regime, Italian resident individuals holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the "*risparmio amministrato*" regime provided for by article 6 of Decree No. 461 of 21

## ***Taxation***

November 1997, as subsequently amended ("**Decree 461**"). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (ii) an express valid election for the *risparmio amministrato* regime being punctually made in writing by the relevant investor. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the investor or using funds provided by the investor for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the investor is not required to declare the capital gains in the annual tax return. Capital losses realised before 1 January 2012 may be carried forward to be offset against subsequent capital gains of the same nature for an overall amount of 62.5 per cent. of the relevant capital losses.

- (C) Any capital gains realised or accrued by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have validly opted for the so-called "*risparmio gestito*" regime (regime provided for by article 7 of the Decree 461) will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 20 per cent. substitutive tax, to be paid by the managing authorised intermediary. Under this *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the investor is not required to declare the capital gains realised in the annual tax return. Depreciation of the management assets accrued 1 January 2012 may be carried forward to be offset against subsequent increase of value for an overall amount of 62.5 per cent. of the relevant depreciation

Where an Italian resident investor is a company or similar commercial entity, or the Italian permanent establishment of a foreign commercial entity to which the Notes are effectively connected, capital gains arising from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant investor's income tax return and are therefore subject to Italian corporate tax and, in certain circumstances, depending on the "status" of the investor, also as a part of the net value of production for IRAP purposes.

Any capital gains realised by a investor which is a Fund or a SICAV will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Fund or SICAV, but subsequent distributions in favour of unitholders or shareholders may subject to the Collective Investment Fund Substitute Tax.

Any capital gains realised by an investor which is an Italian pension fund (subject to the regime provided by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. *ad hoc* substitute tax.

Capital gains realised by non-Italian resident beneficial owner are not subject to Italian taxation provided that the Notes (i) are transferred on regulated markets, or (ii) if not transferred on regulated markets, are held outside Italy.

The provisions of the applicable tax treaties against double taxation entered into by Italy apply if more favourable and all relevant conditions are met.

### **(2) Tax treatment of Securities qualifying as Atypical securities**

Securities which do not qualify as derivatives securitised or instruments similar to bonds under TUIR could be classified as 'atypical' securities pursuant to article 8 of Law Decree No. 512 of 30 September 1983 as implemented by Law No. 649 of 25 November 1983. In this event, payments relating to Securities may be subject to an Italian withholding tax, levied at the rate of 20 per cent.

The withholding tax does not apply to payments made to a non-Italian resident holder of the Securities and to an Italian resident holder of the Securities which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), (ii) a commercial partnership, or (iii) a commercial private or public institution.



## ***Taxation***

The withholding is levied by the Italian intermediary appointed by the Issuer, intervening in the collection of the relevant income or in the negotiation or repurchasing of the Securities.

The same tax treatment provided under paragraph "*Capital Gains*" of Notes qualifying as debentures similar to bonds will apply to capital gains realised from disposal of Securities qualifying as Atypical securities.

### **(3) Tax treatment of Securities qualifying as derivatives securities**

Pursuant to article 67 of TUIR and Decree 461, where the Securities qualify as derivatives securities and the Italian resident investor is (i) an individual not engaged in an entrepreneurial activity to which the Securities are connected, (ii) a non-commercial partnership, pursuant to article 5 of TUIR (with the exception of general partnership, limited partnership and similar entities) (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, capital gains realised under the sale or the exercise of Securities are subject to a 20 per cent. substitute tax (*imposta sostitutiva*).

The recipient may opt for three different taxation criteria.

- (1) Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for taxation of capital gains realised by Italian resident individuals not engaged in an entrepreneurial activity to which the Securities are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a yearly cumulative basis, on all capital gains, net of any off-settable capital loss, realised by the Italian resident individual holding the Securities not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Securities carried out during any given tax year. Italian resident individuals holding the Securities not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Capital losses realised before 1 January 2012 may be carried forward to be offset against subsequent capital gains of the same nature for an overall amount of 62.5 per cent. of the relevant capital losses.
- (2) As an alternative to the tax declaration regime, Italian resident individuals holding the Securities not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Securities (the "*risparmio amministrato*" regime provided for by article 6 of Decree No. 461 of 21 November 1997, as subsequently amended ("**Decree 461**"). Such separate taxation of capital gains is allowed subject to (i) the Securities being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (ii) an express valid election for the *risparmio amministrato* regime being punctually made in writing by the relevant investor. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Securities (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the investor or using funds provided by the investor for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Securities results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the investor is not required to declare the capital gains in the annual tax return. Capital losses realised before 1 January 2012 may be carried forward to be offset against subsequent capital gains of the same nature for an overall amount of 62.5 per cent. of the relevant capital losses.
- (3) Any capital gains realised or accrued by Italian resident individuals holding the Securities not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Securities, to an authorised intermediary and have validly opted for the so-called "*risparmio gestito*" regime (regime provided for by article 7 of the Decree 461) will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 20 per cent. substitutive tax, to be paid by the managing authorised intermediary. Under this *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the investor is not required to declare the capital gains realised in the annual tax return. Depreciation of the management assets accrued 1 January 2012 may be carried forward to be offset against subsequent increase of value for an overall amount of 62.5 per cent. of the relevant depreciation

## ***Taxation***

Where an Italian resident investor is a company or similar commercial entity, or the Italian permanent establishment of a foreign commercial entity to which the Securities are effectively connected, capital gains arising from the Securities will not be subject to *imposta sostitutiva*, but must be included in the relevant investor's income tax return and are therefore subject to Italian corporate tax and, in certain circumstances, depending on the "status" of the investor, also as a part of the net value of production for IRAP purposes.

Any capital gains realised by an investor which is a Fund or a SICAV will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Fund or SICAV, but subsequent distributions in favour of unitholders or shareholders may be subject to the Collective Investment Fund Substitute Tax.

Any capital gains realised by an investor which is an Italian pension fund (subject to the regime provided by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. *ad hoc* substitute tax.

Capital gains realised by non-Italian resident beneficial owner are not subject to Italian taxation provided that the Securities (i) are transferred on regulated markets, or (ii) if not transferred on regulated markets, are held outside Italy.

The provisions of the applicable tax treaties against double taxation entered into by Italy apply if more favourable and all relevant conditions are met.

### **Payments made by a non-resident Guarantor**

With respect to payments made to Italian resident Securityholders by a non-Italian resident guarantor, in accordance with one interpretation of Italian tax law, any such payment made by the Italian non-resident guarantor could be treated, in certain circumstances, as a payment made by the Issuer and would thus be subject to the tax regime described in the previous paragraphs of this section.

### **Inheritance and gift taxes**

Pursuant to Law Decree No. 262 of 3 October 2006, (Decree No. 262), converted into Law No. 286 of 24 November 2006, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- (i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding EUR 1,000,000;
- (ii) transfers in favour of relatives to the fourth degree and relatives-in-law to the third degree, are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding EUR 100,000; and
- (iii) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

### **Transfer Tax**

Article 37 of Law Decree No. 248 of 31 December 2007 (Decree No. 248), converted into Law No. 31 of 28 February 2008, published on the Italian Official Gazette No. 51 of 29 February 2008, has abolished the Italian transfer tax, provided for by Royal Decree No. 3278 of 30 December 1923, as amended and supplemented by the Legislative Decree No. 435 of 21 November 1997.

Following the repeal of the Italian transfer tax, as from 31 December 2007 contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds are subject to fixed registration tax at rate of EUR 168; and (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

## ***Taxation***

### **Implementation in Italy of the EU Savings Directive**

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April 2005 ("**Decree 84**"). Under Decree 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall not apply the withholding tax and shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

### **4. Spanish Taxation**

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Spain, though it is not intended to be, nor should it be construed to be, legal or tax advice. This section does not constitute a complete description of all the tax issues that may be relevant in making the decision to invest in the Securities or of all the tax consequences that may derive from the subscription, acquisition, holding, transfer, redemption or reimbursement of the Securities and does not purport to describe the tax consequences applicable to categories of investors subject to special tax rules. Prospective investors in the Securities should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Spanish tax law, to which they may be subject.

#### **(A) Notes and Certificates**

##### **(i) Individuals with Tax Residence in Spain**

#### **Personal Income Tax**

Personal Income Tax is levied on an annual basis on the worldwide income obtained by Spanish resident individuals, whatever the source is and wherever the relevant payer is established. Therefore any income that Spanish holders of the N&C Securities may receive will be subject to Spanish taxation.

Both interest periodically received and income arising on the disposal, redemption or reimbursement of the N&C Securities obtained by individuals who are tax resident in Spain will be regarded as financial income for tax purposes (i.e. a return on investment derived from the transfer of own capital to third parties).

Both types of income will be included in the savings part of the taxable income subject to Personal Income Tax at the following tax rates: financial income obtained prior to 31 December 2013 will be taxed at a rate of 21 per cent. on the first EUR 6,000, at a 25 per cent. flat rate on the amount exceeding EUR 6,000 up to EUR 24,000, and at a 27 per cent. flat rate on the amount exceeding EUR 24,000. As from 1 January 2014 such income up to EUR 6,000 will be subject to a tax rate of 19 per cent. and the excess over such threshold will be taxed at a rate of 21 per cent.

Spanish holders of the N&C Securities shall compute the gross interest obtained in the savings part of the taxable base of the tax period in which it is due, including amounts withheld, if any.

Income arising on the disposal, redemption or reimbursement of the N&C Securities will be calculated as the difference between: (a) their disposal, redemption or reimbursement value; and (b) their acquisition or subscription value. Costs and expenses effectively borne on the acquisition and transfer of the N&C Securities may be taken into account for calculating the relevant taxable income, provided that they can be duly justified.

Likewise, expenses relating to the management and deposit of the N&C Securities, if any, will be tax-deductible, excluding those pertaining to discretionary or individual portfolio management.

Losses that may derive from the transfer of the N&C Securities cannot be offset if the investor acquires homogeneous securities within the two-month period prior or subsequent to the transfer of the N&C Securities, until he/she transfers such homogeneous securities.

## ***Taxation***

Additionally, tax credits for the avoidance of international double taxation may apply in respect of taxes paid outside Spain on income deriving from the N&C Securities, if any.

### **Wealth Tax**

Individuals who are Spanish tax residents are subject to an annual Wealth Tax on tax years 2011 and 2012 on their total net wealth, regardless of the location of their assets (such as the N&C Securities) or of where their rights may be exercised, to the extent that their net wealth exceeds EUR 700,000 (note that a different minimum exempt amount may be approved by the Spanish regional authorities). Therefore, they should compute the value of the N&C Securities as at 31 December in each of the years 2011 and 2012. The applicable tax rates range between 0.2% and 2.5%.

### **Inheritance and Gift Tax**

Inheritance and Gift Tax is levied on individuals' heirs and donees resident in Spain for tax purposes. It is calculated taking into account several circumstances, such as the age and previous net worth of the heir or donee and the kinship with the deceased person or donor. The applicable tax rate currently ranges between 7.65 and 34 per cent. depending on the particular circumstances, although the final tax payable may increase up to 81.6 per cent. This is nevertheless subject to the specific rules passed by the relevant Spanish regions with respect to this tax.

#### **(ii) *Legal Entities with Tax Residence in Spain***

### **Corporate Income Tax**

Both interest periodically received and income arising on the disposal, redemption or reimbursement of the N&C Securities obtained by entities which are resident for tax purposes in Spain shall be computed as taxable income of the tax period in which they accrue.

The general tax rate for limited liability companies is currently 30 per cent. However, small sized companies (those companies whose net business income is lower than EUR 10,000,000) can benefit from the reduced tax rate of 25 per cent. on the first EUR 300,000 of their taxable profits. In addition to this, and for the tax period starting in 2011, companies with a net business income lower than EUR 5,000,000 and an average staff lower than 25 employees could benefit from the reduced rate of 20 per cent. on the first EUR 300,000 of their taxable profits, being the rest of the taxable profits subject to a tax rate of 25 per cent. Special rates apply in respect of certain types of entities (such as qualifying collective investment institutions).

Tax credits for the avoidance of international double taxation may apply in respect of taxes paid outside Spain on income deriving from the N&C Securities, if any.

### Wealth Tax

Legal entities resident in Spain are not subject to Wealth Tax.

### Inheritance and Gift Tax

Legal entities resident in Spain for tax purposes which acquire ownership or other rights over the N&C Securities by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax but must include the market value of the N&C Securities in their taxable income for Spanish Corporate Income Tax purposes.

#### **(iii) *Individuals and legal entities with no Tax Residence in Spain acting through a permanent establishment in Spain (Non-Resident Income Tax)***

A non-resident holder of Securities, who has a permanent establishment in Spain to which such N&C Securities are attributable, is subject to Spanish Non-Residents' Income Tax on any income under the N&C Securities, including both interest periodically received and income arising on the disposal, redemption or reimbursement of the N&C Securities. In general terms, the tax rules applicable to individuals and legal entities with no tax residence in Spain but acting through a permanent establishment in Spain are the same as those applicable to Corporate Income taxpayers.

## ***Taxation***

### **(iv) *Spanish withholding tax***

Where Securities are issued by an Issuer which is not a Spanish tax resident entity and does not have a permanent establishment in Spain to which the issue of the N&C Securities is connected, the Issuer should not be obliged to deduct withholdings on account of Spanish income taxes.

Where a financial institution (either resident in Spain or acting through a permanent establishment in Spain) acts as depositary of the N&C Securities or intervenes as manager in the collection of any income under the N&C Securities, such financial institution will be responsible for making the relevant withholding on account of Spanish tax on any income deriving from the N&C Securities. The current withholding tax rate in Spain applicable until December 31, 2013 is 21 per cent. (the general withholding tax rate applicable as from January 1, 2014 will be 19 per cent.).

Amounts withheld in Spain, if any, can be credited against the final Spanish Personal Income Tax liability, in the case of Spanish tax resident individuals, or against final Spanish Corporate Income Tax liability, in the case of Spanish corporate, or against final Non-Residents' Income Tax, in the case of a Spanish permanent establishment of a non-resident holder of the N&C Securities. However, holders of the N&C Securities who are Corporate Income Taxpayers or Non-Residents' Income Taxpayers acting through a permanent establishment in Spain to which the N&C Securities are attributable can benefit from a withholding tax exemption when the N&C Securities are listed in an OECD official stock exchange. This will be the case as the N&C Securities are expected to trade on the London Stock Exchange's regulated market.

Similarly, when the N&C Securities (i) are represented in book-entry form and (ii) are admitted to trading on a Spanish secondary stock exchange, holders who are Corporate Income Taxpayers can benefit from a withholding tax exemption.

Furthermore, such financial institution may become obliged to comply with the formalities set out in the Regulations on Spanish Personal Income Tax (Royal Decree 439/2007, of 30 March) and Corporate Income Tax (Royal Decree 1777/2004, of 30 July) when intervening in the transfer or reimbursement of the N&C Securities.

### **(B) *Warrants***

#### **(i) *Spanish resident individuals***

##### **Personal Income Tax**

The premium or amount paid for the subscription of the Warrants would not be considered as a deductible expense for Personal Income Tax purposes, but as the acquisition value, which would include the expenses and commissions, inherent to the acquisition, paid by the acquirer.

Income obtained by holders of the Warrants on their transfer before the expiration date, will be considered as capital gains or losses for Personal Income Tax purposes. The gain or loss shall be calculated as the difference between the transfer value, once any expenses and commissions paid by the taxpayer have been deducted, and the acquisition value, as it has been defined above.

Upon the exercise of the Warrants, income obtained would be considered as capital gain or loss, being calculated as the difference between (i) the cash amount, once expenses have been deducted and commissions paid by the taxpayer, and (ii) the acquisition value defined above.

Failure to exercise any Warrants on the expiration date would give rise to a capital loss on the acquisition value.

Income derived from the transfer or exercise of the Warrants will be included in the savings part of the taxable income subject to Personal Income Tax at the following tax rates: financial income obtained prior to 31 December 2013 will be taxed at a rate of 21 per cent. on the first EUR 6,000 portion of the savings taxable base, at a 25 per cent. flat rate on the amount exceeding such EUR 6,000 up to EUR 24,000, and a 27 per cent. flat rate on the amount exceeding EUR 24,000. As from 1 January 2014 such income up to EUR 6,000 will be subject to a tax rate of 19 per cent. and the excess over such threshold will be taxed at a rate of 21 per cent.

##### **Inheritance and Gift Tax**

Spanish Inheritance and Gift Tax is levied on transfers of Warrants upon death or by gift to Spanish tax resident individuals, with the taxpayer being the transferee. General tax rates currently range from 7.65 to 81.60 per cent., although the tax situation may vary depending on any applicable regional tax laws.

## ***Taxation***

### **Wealth Tax**

Spanish tax resident individuals are subject to an annual Wealth Tax on tax years 2011 and 2012 on their total net wealth, regardless of the location of their assets or of where their rights may be exercised, to the extent that their net wealth exceeds EUR 700,000. Therefore, they should compute the value of the Warrants as at 31 December in each of the years 2011 and 2012. The applicable tax rates range between 0.2% and 2.5%.

#### (ii) ***Legal Entities with tax residence in Spain***

##### **Corporate Income Tax**

As a general rule, income obtained either through the transfer or the exercise of the Warrants and obtained by taxpayers subject to Corporate Income Tax will be included in their taxable income under general provisions.

##### **Wealth Tax**

Legal entities resident in Spain are not subject to the Spanish Wealth Tax.

##### **Inheritance and Gift Tax**

Legal entities resident in Spain for tax purposes which acquire ownership or other rights over the Warrants by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax but must include the market value of the Warrants in their taxable income for Spanish Corporate Income Tax purposes.

#### (iii) ***Individuals and Legal Entities with no tax residence in Spain acting through a permanent establishment in Spain***

As a general rule, income obtained by a permanent establishment located in Spain of a non-resident would be subject to taxation in a similar way than that applicable to Spanish tax resident Corporate Income Taxpayers, as explained above.

#### (iv) ***Spanish withholding tax***

Income from Warrants is exempt from withholding tax in Spain.

### **(C) Indirect Taxation**

The acquisition, transfer, redemption, reimbursement and exchange of the Securities will be exempt from Transfer Tax and Stamp Duty as well as Value Added Tax.

## **5. Portuguese Taxation**

The following is a general summary of certain income and capital gains tax consequences which may arise to Portuguese resident Securityholders. It is included herein solely for information purposes. It is based on the laws presently in force in Portugal, though it is not intended to be, nor should it be considered to be, legal or tax advice. Furthermore, the tax treatment applicable in Portugal to the income and capital gains derived by Portuguese resident Securityholders may vary depending on the final terms and conditions of the relevant Securities. Therefore, prospective Portuguese resident Securityholders should consult their own professional advisers as to the tax implications arising from the acquisition, holding or disposal of the Securities.

### **Securityholder's Income Tax**

Income generated by the holding (distributions) and disposal of the Securities is generally subject to the Portuguese tax regime for debt representative securities (*obrigações*).

Economic benefits derived from interest, amortisation, reimbursement premiums and other types of remuneration arising from the Securities are designated as investment income for Portuguese tax purposes.

#### **(A) Withholding tax arising from the N&C Securities**

Payments of principal on the Securities to corporate entities or to individuals are not subject to Portuguese withholding tax. For these purposes, principal shall mean all payments carried out without any remuneration component.

## ***Taxation***

### ***Individuals***

As regards to investment income on the Securities made to Portuguese tax resident individuals, they are subject to personal income tax which shall be withheld at the current final withholding rate of 25 per cent. if there is a Portuguese resident paying agent, unless the individual elects to include it in his taxable income, subject to tax at progressive rates of up to 46,5 per cent. An additional income tax rate of 2.5 per cent. will be due on the part of the taxable income exceeding €153,300 for the years of 2012 and 2013. In this case, the tax withheld is deemed to be a payment on account of the final tax due. Investment income (including interest) paid or made available to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 30 per cent, unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.

Investments income payments (including interest) on the Securities due by non resident entities to Portuguese tax resident individuals are subject to an autonomous taxation at a rate of 25 per cent. whenever those payments are not subject to Portuguese withholding tax.

### ***Corporate entities***

Under current Portuguese law, investment income payments in respect of the Securities made to Portuguese tax resident companies are included in their taxable income and are subject to a corporate tax rate of 25 per cent. applicable on the taxable income which may be subject to a municipal surcharge ("*derrama municipal*") of up to 1.5 per cent, over the N&C Securityholders taxable profits. A State surcharge ("*derrama estadual*") rate of 3 per cent. will be due on the part of the taxable profits exceeding €1,500,000 up to €10,000,000 and of 5 per cent. on the part of the taxable profits exceeding €10,000,000.

## **(B) Capital gains arising from the transfer of Securities**

### ***Individuals***

Capital gains obtained by Portuguese tax resident individuals with the transfer of the Securities are subject to Portuguese capital gains taxation. A 25 per cent. tax rate is levied on the positive difference between the capital gains and capital losses of each year unless the individual elects to include such income in his taxable income, subject to tax at progressive rates of up to 46.5 per cent. An additional income tax rate of 2.5. per cent. will be due on the part of taxable income exceeding €153,300. In this regard, an exemption applies on the annual positive difference of up to €500 between gains and losses arising from the sale of shares, bonds and other debt securities. Accrued interest does not qualify as capital gains for tax purposes.

### ***Corporate entities***

Capital gains obtained with the transfer of the Securities by legal persons resident for tax purposes in Portugal and by non resident legal persons with a permanent establishment in Portugal to which the capital gains are attributable are included in their taxable income and are subject to a corporate tax rate of 25 per cent. will be applicable on the taxable income, which may be subject to a municipal surcharge ("*derrama municipal*") of up to 1.5 per cent, over the Securityholders taxable profits. A State surcharge ("*derrama estadual*") rate of 3 per cent. will be due on the part of the taxable profits exceeding €10,000,000.

## **Implementation of EU Savings Directive in Portugal**

Portugal has implemented the EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income into the Portuguese law through Decree-Law no 62/2005, of 11 March, 2005, as amended by Law no 39-A/2005, of 29 July.

### **Certificate Holders Income Tax**

As a rule, the income arising from the Certificate is qualified as capital gains for Portuguese tax purposes. However, the positive difference, if any, between the minimum amount guaranteed and the subscription price of the Certificates is qualified as investment income subject to Income Tax in Portugal.

## ***Taxation***

### **(A) Withholding tax arising from Certificates**

#### ***Individuals***

The positive difference, if any, between the minimum amount guaranteed and the subscription price of the Certificates is qualified as investment income subject to Personal Income Tax in Portugal.

As regards to investment income on the Certificates made to Portuguese tax resident individuals, they are subject to personal income tax which shall be withheld at the current final withholding rate of 25 per cent. if there is a Portuguese resident paying agent as from the moment the correspondent amounts are made available to the individual resident in Portugal for tax purposes, unless the individuals elects to include the income in their taxable income, subject to tax at the current progressive rates of up to 46.5 per cent. An additional income tax rate of 2.5 per cent. will be due on the part of the taxable income exceeding €153,300. In this case, the tax withheld is deemed to be a payment on account of the final tax due.

Investment income paid or made available to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 30 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.

Investment income payments due by non resident entities to Portuguese tax resident individuals will be included in their taxable income, subject to tax at the current progressive rates of up to 46.5 per cent. whenever those payments are not subject to Portuguese withholding tax. An additional income tax rate of 2.5 per cent. will be due on the part of the taxable income exceeding €153,300.

#### ***Corporate entities***

Investment income arising from Certificates, if any, obtained by Portuguese corporate resident will be included in their taxable income and is subject to corporate income tax rate according to which a 25 per cent. tax rate will be applicable on taxable income, which may be subject to a municipal surcharge ("*derrama municipal*") of up to 1.5 per cent., over the Securityholders taxable profits. A State Surcharge ("*derrama estadual*") rate will be of 3 per cent. due on the part of the taxable profits exceeding €1,500,000 up to €10,000,000 and of 5 per cent. on the part of the taxable profits exceeding €10,000,000.

There is no withholding tax on investment income arising from the Certificates, if any, even if there is a Portuguese paying agent that made available such income to the corporate entities resident in Portugal for tax purposes.

### **(B) Capital gains**

There is no Portuguese withholding tax on capital gains.

#### ***Individuals***

The annual positive balance arising from the difference between capital gains and capital losses resulting from transactions in connection with the Certificates will be taxed at the special tax rate of 25 per cent., unless the individuals resident in Portugal elects to include the income in their taxable income, subject to tax at progressive rates of up to 46.5 per cent. An additional income tax rate of 2.5 per cent. will be due on the part of the taxable income exceeding € 153,300.

#### ***Corporate entities***

Capital gains obtained by Portuguese corporate resident entities in relation to the Certificates will be included in their taxable income and are subject to corporate income tax rate according to which a 25 per cent. tax rate will be applicable on taxable income, which may be subject to a municipal surcharge ("*derrama municipal*") of up to 1.5 per cent., over the Securityholders taxable profits. A State Surcharge ("*derrama estadual*") rate will be of 3 per cent. due on the part of the taxable profits exceeding €1,500,000 up to €10,000,000 and of 5 per cent. on the part of the taxable profits exceeding €10,000,000.



## ***Taxation***

### **Warrant Holders Income Tax**

The income arising from transactions involving autonomous Warrants qualifies as a capital gain, which is subject to Portuguese income tax. There is no Portuguese withholding tax on capital gains.

#### **Capital gains**

##### ***Individuals***

The annual positive balance arising from the difference between capital gains and capital losses resulting from transactions in connection with the Warrants will be taxed at the special tax rate of 25 per cent., unless the individuals resident in Portugal elects to include the income in their taxable income, subject to tax at progressive rates of up to 46.5 per cent. An additional income tax rate of 2.5 per cent. will be due on the part of the taxable income exceeding €153,300.

##### ***Corporate entities***

Capital gains obtained by Portuguese corporate resident entities in relation to the Warrants will be included in their taxable income and are subject to corporate income tax rate according to which a 25 per cent. tax rate will be applicable on taxable income, which may be subject to a municipal surcharge ("*derrama municipal*") of up to 1.5 per cent., over the Securityholders taxable profits. A State Surcharge ("*derrama estadual*") rate will be of 3 per cent. due on the part of the taxable profits exceeding €1,500,000 up to €10,000,000 and of 5 per cent. on the part of the taxable profits exceeding €10,000,000.

## **6. Belgian Taxation**

*The following description is only a summary of current Belgian tax law which is liable to change over time. The summary does not purport to constitute a comprehensive description of all tax considerations which may be relevant to a prospective investor in the Securities, including tax considerations that arise from rules of general application or that are generally assumed to be known to prospective investors. In particular, it does not cover the situation of non-residents nor the tax treatment of securities which may be received upon repurchase or redemption of the Securities. This summary is not intended to constitute, nor should it be construed as, legal or tax advice. Prospective investors in the Securities who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than Belgium should seek their own professional advice.*

### **Taxation in respect of the N&C Securities**

For the purpose of the Belgian tax consequences described herein, it is assumed that the N&C Securities will qualify as claim rights for Belgian tax law purposes.

A gain arising on the repurchase or redemption of the N&C Securities by the Issuer is taxable as interest. If the repurchase or redemption by the Issuer is in full or in part settled by means of a delivery of securities or other assets, interest includes any positive difference between the market value of those assets on the date of their payment or attribution and the initial issue price of the N&C Securities. In the event interest is paid in the form of delivery of securities, the market value of those securities will be deemed at least equal to their value (prior to the date of the payment or attribution) as determined in the most recent publication by the Belgian Government of the value of securities listed on a Belgian stock exchange (such publication is issued monthly, on the 20th of each month) or on a similar foreign stock exchange.

In addition, if the N&C Securities qualify as fixed income securities within the meaning of article 2, §1, 8° Belgian Income Tax Code ("*ITC*"), in case of a realisation of the N&C Securities between two interest payment dates, an income equal to the pro rata of accrued interest corresponding to the detention period is taxable as interest.

For the purposes of the following paragraphs, such gains and pro rata of accrued interest are therefore referred to as interest.

#### **Withholding tax**

Any payment of interest on the N&C Securities made through a paying agent in Belgium will in principle be subject to Belgian withholding tax on the gross amount of the interest, currently at the rate of 21 per cent.

## ***Taxation***

### ***Belgian resident individuals***

For Belgian resident individuals (i.e. residents of Belgium who are subject to Belgian personal income tax) who hold the N&C Securities as a private investment, all interest payments will be subject to a 21 per cent. Belgian withholding tax if the payment is made through a financial institution or other intermediary established in Belgium. In that case, the investor does not need to report the interest income in its annual tax return, provided that it allows the Belgian intermediary to levy, in addition to the withholding tax, an "additional tax on investment income" at the rate of 4 per cent. If the investor elects not to declare such interest income, the withholding tax and the "additional tax on investment income" are the final tax for the investor, resulting in an aggregate tax rate of 25 per cent. If the investor elects to declare the interest income, the withholding tax and the "additional tax on investment income" are credited against the investor's final tax liability, and any excess can be refunded. In that case, the tax rate applicable to the interest income will depend on the investor's annual income:

- if the taxpayer's Qualifying Investment Income (defined as i) taxable interest income, other than interest income on Government bonds issued and subscribed in the period between 24 November 2011 and 2 December 2011, and ii) taxable dividend income, other than liquidation bonuses) for the relevant tax year does not exceed € 20,020 (amount for income year 2012), the interest income generated by the N&C Securities will be subject to personal income tax at a rate of 21 per cent. (without application of local surcharges, according to statements made by the Minister of Finance, but this is currently not supported by the text of the law) or at the progressive personal income tax rates taking into account the taxpayer's other declared income, whichever is lower.
- if the taxpayer's Qualifying Investment Income for the relevant tax year exceeds € 20,020 (amount for income year 2012), the interest income generated by the N&C Securities will be subject to personal income tax at a rate of 21 per cent. (without application of local surcharges, according to statements made by the Minister of Finance, but this is currently not supported by the text of the law), and to the "additional tax on investment income" at the rate of 4 per cent., it being understood that such "additional tax on investment income" is only due on the tranche of Qualifying Investment Income that exceeds € 20,020. To determine whether part or all of the interest income generated by the N&C Securities is included in the first tranche of € 20,020, the taxable investment income which is exempt from the "additional tax on investment income" (such as i) taxable interest income from regulated saving deposits, ii) interest income on Government bonds issued and subscribed in the period between 24 November 2011 and 2 December 2011 and iii) dividends taxed at a rate of 25 per cent.) is counted first, except that liquidation bonuses are fully disregarded.

The taxpayer can avoid the levy by the Belgian intermediary of the 4 per cent. "additional tax on investment income" if the taxpayer allows the Belgian intermediary to communicate the taxpayer's identity and the amount of the taxpayer's interest income to a central contact point, which in turn will automatically communicate this information to the Belgian income tax authorities if the total annual amount of Qualifying Investment Income communicated by the Belgian intermediary and other financial intermediaries with respect to that taxpayer exceeds the aforementioned threshold of € 20,020 (amount for income year 2012). The Belgian income tax authorities may also at any time request information on any investment income communicated to the central contact point with respect to a given taxpayer. If the taxpayer elects for the communication of the investment income to the central contact point, the 21 per cent. withholding tax does not discharge the taxpayer from the declaration of the interest income generated by the N&C Securities in the taxpayer's personal income tax return. The taxpayer will need to declare this interest income, and the personal income tax rules applicable to such interest income will be identical to the rules set out above (ie personal income tax rate of 21 per cent. or 25 per cent., again without application of local surcharges, according to statements made by the Minister of Finance, or progressive personal income tax rate taking into account the taxpayer's other declared income).

If the payment is not made through a financial intermediary established in Belgium and withholding tax is not withheld, the investors must report the interest income in their annual tax return. The personal income tax rules applicable to such interest income will be identical to the rules set out above (ie personal income tax rate of 21 per cent. or 25 per cent., again without application of local surcharges, according to statements made by the Minister of Finance, or progressive personal income tax rate taking into account the taxpayer's other declared income) plus additional local taxes for interest received outside of the European Economic Area.

### ***Belgian resident companies***

Interest paid to Belgian resident companies (i.e. residents of Belgium who are subject to Belgian corporate income tax), and to Belgian branches of foreign companies, through a financial intermediary established in Belgium will generally be subject to Belgian withholding tax. However, an exemption may apply provided that the investor delivers to its financial intermediary an appropriate

## ***Taxation***

certificate. For zero or capitalisation bonds, the above exemption will not apply, unless the Belgian resident company and the Issuer are affiliate companies within the meaning of article 105, 6° of the Royal Decree implementing the ITC. The current applicable withholding tax rate is 21 per cent.

### ***Belgian resident non-profit legal entities***

For Belgian resident non-profit legal entities (i.e. residents of Belgium who are subject to the Belgian legal entities tax), all interest payments will be subject to Belgian withholding tax, currently at a rate of 21 per cent.

If the interest payment is made through a financial institution or other intermediary established in Belgium, such intermediary will have to levy the applicable withholding tax. If the payment is not made through a Belgian intermediary and withholding tax is not applied, the withholding tax must be declared and paid by the non-profit legal entity itself.

### **Income tax**

#### ***Belgian resident individuals***

For Belgian resident individuals who hold the N&C Securities as a private investment, the personal income tax rules applicable to any interest under the N&C Securities will be identical to the rules set out above (ie personal income tax rate of 21 per cent. or 25 per cent., again without application of local surcharges, according to statements made by the Minister of Finance, or progressive personal income tax rate taking into account the taxpayer's other declared income).

Belgian resident individuals are not liable to income tax on capital gains realised upon disposal of the N&C Securities (other than the accrued interest portion, if any), provided that the N&C Securities have not been used for their professional activity and that the capital gain is realised within the framework of the normal management of their private estate. Capital losses realised upon disposal of the N&C Securities held as a non-professional investment are in principle not tax deductible.

#### ***Belgian resident companies***

Belgian resident companies, and Belgian branches of foreign companies, are liable to corporate income tax on the interest under the N&C Securities and the capital gains realised upon disposal of the N&C Securities. The current standard corporate income tax rate in Belgium is 33.99 per cent. Belgian withholding tax can in principle be set off against the corporate income tax liability provided certain conditions are fulfilled.

Capital losses realised upon disposal of the N&C Securities are in principle tax deductible.

#### ***Belgian resident non-profit legal entities***

For Belgian resident non-profit legal entities, the 21 per cent. withholding tax levied on the interest will constitute the final tax burden in respect of such income.

Belgian non-profit legal entities are not liable to income tax on capital gains realised upon disposal of the N&C Securities (other than the accrued interest portion, if any).

Capital losses realised upon disposal of the N&C Securities are in principle not tax deductible.

### **Tax on stock exchange transactions**

The issuance of the N&C Securities (primary market) is not subject to the tax on stock exchange transactions.

The sale of the N&C Securities (secondary market) executed in Belgium through a financial intermediary will trigger the tax on stock exchange transactions. The same will apply for any transfer and acquisition of existing securities upon repurchase or redemption of the N&C Securities. The tax is due at a rate of 0.09 per cent. for bonds and 0.22 per cent. for other securities (on each sale and acquisition separately) with a maximum of €650 per party and per transaction (except for capitalisation shares of investment companies, for which a different rate and cap apply). An exemption is available for non-residents and certain Belgian institutional investors acting for their own account, subject to certain formalities.

## ***Taxation***

### **Taxation in respect of the Warrants**

Please note that in addition to the explanation below, payments on the Warrants may be subject to tax law or other laws or regulations in force in the countries where such payments occur.

Please also note that the Belgian tax authorities have not issued any guidance in relation to the Belgian tax treatment of investment products such as the Warrants. The description of the tax regime below is based on the analysis according to which the Warrants should be classified as securities which do not constitute claim rights for Belgian tax purposes.

### **Withholding tax**

Belgian withholding tax will not apply to the Warrants.

### **Income tax**

#### ***Belgian resident individuals***

Belgian resident individuals (i.e. residents of Belgium who are subject to Belgian personal income tax) are not liable to income tax on capital gains realised upon the exercise or the disposal of the Warrants, provided that the Warrants have not been used for their professional activity and that the capital gain is realised within the framework of the normal management of their private estate.

Capital losses realised upon disposal or exercise of the Warrants held as a non-professional investment are in principle not tax deductible.

#### ***Belgian resident companies***

Belgian resident companies (i.e. residents of Belgium who are subject to Belgian corporate income tax) are liable to income tax on capital gains realised upon the exercise or the disposal of the Warrants, irrespective of whether such Warrants relate to shares or other assets or indices. The current standard corporate income tax rate in Belgium is 33.99 per cent.

Capital losses realised upon disposal or exercise of the Warrants are in principle tax deductible.

#### ***Belgian resident non-profit legal entities***

Belgian resident non-profit legal entities (i.e. residents of Belgium who are subject to Belgian legal entities tax) are not liable to income tax on capital gains realised upon the exercise or the disposal of the Warrants.

Capital losses realised upon disposal or exercise of the Warrants are in principle not tax deductible.

### ***Tax on stock exchange transactions***

The issuance of the Warrants (primary market) is not subject to the tax on stock exchange transactions.

The sale of the Warrants (secondary market) executed in Belgium through a financial intermediary will trigger the tax on stock exchange transactions. The same will apply for any transfer and acquisition of existing securities upon exercise of the Warrants. The tax is due at a rate of 0.22 per cent. (on each sale and acquisition separately) with a maximum of €650 per party and per transaction. Exemptions are available for non-residents and certain Belgian institutional investors acting for their own account, subject to certain formalities.

## **7. *French Taxation***

### **Withholding Tax**

*The following is a summary addressing only the French compulsory withholding tax treatment of income paid by the Issuer under the Securities. This summary is (i) based on the laws and regulations in full force and effect in France as at the date of this Prospectus, which may be subject to change in the future, potentially with retroactive effect, and (ii) prepared on the assumption that the Issuer*

## ***Taxation***

*of the Securities is not a French resident for French tax purposes and is not acting from a French branch, permanent establishment or other fixed place of business in France in connection with the Securities (or any transaction connected to the Securities). Investors should be aware that the comments below are of a general nature and do not constitute legal or tax advice and should not be understood as such. Prospective investors are therefore advised to consult their own qualified advisors so as to determine, in the light of their individual situation, the tax consequences of the purchase, holding, redemption or sale of the Securities.*

All payments by the Issuer in respect of the Securities will be made free of any compulsory withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by France or any political subdivision or taxing authority thereof or therein.

### **Transfer tax and other taxes**

Until 31 July 2012, the disposal of French shares is, in principle, subject to a transfer tax (provided in the case of shares listed on a recognised stock exchange that the transfer is evidenced by a deed or agreement) with application of the following declining rates: 3 per cent. for the fraction of the price up to EUR 200,000, 0.5 per cent. for the fraction of the price comprised between EUR200,000 and EUR500,000,000 and 0.25 per cent. for the fraction of the price exceeding EUR500,000,000 (the "**Transfer Tax**").

As from 1 August 2012, pursuant to the French amending finance law for 2012, the following changes are applicable:

- The modification of the rates in respect of the Transfer Tax with the consequence that the disposal of French shares would, in principle, be subject to a 0.1 per cent. transfer tax (the "**New Transfer Tax**"), provided in the case of shares listed on a recognised stock exchange that the transfer is evidenced by a deed or agreement.
- The introduction of a financial transaction tax in France (the "**French Financial Transaction Tax**") to be imposed on certain transactions, referenced to, or in relation with, in French listed shares where the issuer's stock market capitalisation exceeds 1 billion Euros. The French Financial Transaction Tax rate is 0.1 per cent. of the sale price of the transaction.
- If the French Financial Transaction Tax applies to a transaction, an exemption in respect of the New Transfer Tax would be applicable.

### **EU Savings Directive**

The EC Council Directive 2003/48/EC on the taxation of savings income has been implemented into French law under article 242 ter of the French tax code (*Code général des impôts*), which imposes on paying agents based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners resident in another Member State, including, the identity and address of the beneficial owner and a detailed list of different categories of interest paid to the beneficial owner.

### **8. German Taxation**

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of Securities. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Securities, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

As each Series or Tranche of Securities may be subject to a different tax treatment due to the specific terms of such Series or Tranche of Securities as set out in the respective Final Terms, the following section only provides some general information on the possible tax treatment.

Prospective purchasers of Securities are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposal of Securities, including the effect of any state, local or church taxes, under the tax laws of Germany and any country of which they are resident or whose tax laws apply to them for other reasons.

## *Taxation*

### *Tax Residents*

The section "*Tax Residents*" refers to persons who are tax residents of Germany (i.e. persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

### **Withholding tax on ongoing payments and capital gains**

Ongoing payments received by an individual holder of the Securities will be subject to German withholding tax if the Securities are kept in a custodial account with a German branch of a German or non-German bank or financial services institution, a German securities trading company or a German securities trading bank (each, a "**Disbursing Agent**", *auszahlende Stelle*). The tax rate is 25 per cent. (plus solidarity surcharge at a rate of 5.5 per cent. thereon, the total withholding being 26.375 per cent.). If the individual holder is subject to church tax, a church tax surcharge may also be withheld.

The same treatment applies to capital gains (i.e. the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the cost of acquisition) derived by an individual holder provided the Securities have been held in a custodial account with the same Disbursing Agent since the time of their acquisition. Where Securities are issued in a currency other than Euro any currency gains or losses are part of the capital gains. If interest coupons or interest claims are disposed of separately (i.e. without the Securities), the proceeds from the disposition are subject to withholding tax. The same applies to proceeds from the redemption of interest coupons or interest claims if the Securities have been disposed of separately.

In case of a physical settlement of certain Securities which grant the Issuer or the holder the right to opt for a physical delivery of underlying securities instead of a money payment, the acquisition costs of the Securities may be regarded as proceeds from the disposal, redemption, repayment or assignment of the Securities and hence as acquisition costs of the underlying securities received by the individual holder upon physical settlement; any consideration received by the holder in addition to the underlying securities may be subject to withholding tax. To the extent the provision mentioned above is applicable, generally no withholding tax has to be withheld by the Disbursing Agent upon physical settlement as such exchange of the Securities into the underlying securities does not result in a taxable gain for the individual holder. However, withholding tax may then apply to any gain resulting from the disposal, redemption, repayment or assignment of the securities received in exchange for the Securities. In this case, the gain will be the difference between the proceeds from the disposal, redemption, repayment or assignment of the underlying securities and the acquisition costs of the Securities (after deduction of expenses related directly to the disposal, if any).

To the extent the Securities have not been kept in a custodial account with the same Disbursing Agent since the time of their acquisition or if the Securities have been transferred into the custodial account of the Disbursing Agent only after their acquisition, upon the disposal, redemption, repayment or assignment withholding tax applies at a rate of 26.375 per cent. (including solidarity surcharge) on 30 per cent. of the disposal proceeds (plus interest accrued on the Securities ("**Accrued Interest**", *Stückzinsen*), if any), unless the current Disbursing Agent has been notified of the actual acquisition costs of the Securities by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Economic Area or certain other countries in accordance with art. 17 para. 2 of the EU Savings Directive (e.g. Switzerland or Andorra).

In computing any German tax to be withheld, the Disbursing Agent may generally deduct from the basis of the withholding tax negative investment income realised by the individual holder of the Securities via the Disbursing Agent (e.g. losses from sale of other securities with the exception of shares). The Disbursing Agent may also deduct Accrued Interest on the Securities or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions the Disbursing Agent may credit foreign withholding taxes levied on investment income in a given year regarding securities held by the individual holder in the custodial account with the Disbursing Agent.

Individual holders may be entitled to an annual allowance (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 for married couples filing jointly) for all investment income received in a given year. Upon the individual holder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take the allowance into account when computing the amount of tax to be withheld. No withholding tax will be deducted if the holder of the Securities has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent local tax office.

German withholding tax will not apply to gains from the disposal, redemption, repayment or assignment of Securities held by a corporation as holder while ongoing payments, such as interest payments, are subject to withholding tax (irrespective of any

## ***Taxation***

deductions of foreign tax and capital losses incurred). The same may apply where the Securities form part of a trade or business, subject to further requirements being met.

### **Taxation of current income and capital gains**

The personal income tax liability of an individual holder deriving income from capital investments under the Securities is, in principle, settled by the tax withheld. To the extent withholding tax has not been levied, such as in the case of Securities kept in custody abroad or if no Disbursing Agent is involved in the payment process or if the withholding tax on disposal, redemption, repayment or assignment has been calculated from 30 per cent. of the disposal proceeds (rather than from the actual gain), the individual holder must report his or her income and capital gains derived from the Securities on his or her tax return and then will also be taxed at a rate of 25 per cent. on the investment income (plus solidarity surcharge and church tax thereon, where applicable). Further, an individual holder may request that all investment income of a given year is taxed at his or her lower individual tax rate based upon an assessment to tax with any amounts over withheld being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemized basis is not permitted.

Losses incurred with respect to the Securities can only be off-set against investment income of the individual holder realised in the same or the following years. Any losses realised upon the disposal of shares in stock corporations received in exchange for the Securities can only be offset against capital gains deriving from the disposal of shares.

Where Securities form part of a trade or business or the income from the Securities qualifies as income from the letting and leasing of property, the withholding tax, if any, will not settle the personal or corporate income tax liability. Where Securities form part of a trade or business, interest (accrued) must be taken into account as income. Where Securities qualify as Zero Coupon Securities and form part of a trade or business, each year the part of the difference between the issue or purchase price and the redemption amount attributable to such year must be taken into account. The respective holder will have to report income and related (business) expenses on the tax return and the balance will be taxed at the holder's applicable tax rate. Withholding tax levied, if any, will be credited against the personal or corporate income tax of the holder. Where Securities form part of a German trade or business the current income and gains from the disposal, redemption, repayment or assignment of the Securities may also be subject to German trade tax. Generally the deductibility of capital losses from the Notes which qualify for tax purposes as contracts for difference is limited. These losses may only be applied against profits from other contracts for difference derived in the same or, subject to certain restrictions, the previous year. Otherwise these losses can be carried forward indefinitely and applied against profits from contracts for difference in subsequent years.

In the case of physically settled Notes special limitations may apply to losses from the disposal of an underlying which is a share in a corporation.

### **German Investment Tax Act**

German tax consequences different from those discussed above would arise if the respective Securities or the underlying securities delivered upon physical delivery were to be regarded as investment fund units within the meaning of the German Investment Tax Act. In such case, the withholding tax requirements for the Disbursing Agent as well as the taxation of the holder would depend on whether the disclosure and reporting requirements of the German Investment Tax Act were fulfilled. The holder of the Securities may be subject to tax on unrealised income or, in case the reporting and disclosure requirements are not fulfilled, on income deemed received on a lump-sum basis (so-called penalty taxation). Such income may be offset against any capital gains realised upon disposal of the Securities, or the underlying securities received, respectively, subject to certain requirements.

### ***Non-residents***

Interest, including Accrued Interest, and capital gains are not subject to German taxation, unless (i) the Securities form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder or (ii) the income otherwise constitutes German-source income. In cases (i) and (ii) a tax regime similar to that explained above under "*Tax Residents*" applies.

Non-residents of Germany are, in general, exempt from German withholding tax on interest and the solidarity surcharge thereon. However, where the interest is subject to German taxation as set forth in the preceding paragraph and the Securities are held in a custodial account with a Disbursing Agent, withholding tax may be levied under certain circumstances. Where Securities are not

## ***Taxation***

kept in a custodial account with a Disbursing Agent and interest or proceeds from the disposal, assignment or redemption of a Securities or an interest coupon are paid by a Disbursing Agent to a non-resident, withholding tax generally will also apply. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty.

### **Inheritance and Gift Tax**

No inheritance or gift taxes with respect to any Securities will arise under the laws of Germany, if, in the case of inheritance tax, neither the deceased nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Securities is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German expatriates.

### **Other Taxes**

No stamp, issue or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Securities. Currently, net assets tax is not levied in Germany.

### **EU Savings Directive**

By legislative regulations dated 26 January 2004 the German Federal Government enacted provisions implementing the EU Savings Directive into German law. These provisions apply from 1 July 2005.

## **9. Luxembourg Taxation**

The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Securities should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature refers to Luxembourg tax law and/or concepts only.

### **Withholding Tax**

#### **(i) Non-resident holders of Securities**

Under Luxembourg general tax laws currently in force and subject to the laws of 21 June 2005, as amended, (the "**Savings Laws**"), there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Securities, nor on accrued but unpaid interest in respect of the Securities, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Securities held by non-resident holders of Securities.

Under the Savings Laws implementing the Council Directive 2003/48/EC of 3 June 2003 (the "**Savings Directive**") on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the "**Territories**"), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Savings Laws, which are resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Securities coming within the scope of the Savings Laws will be subject to a withholding tax of 35%.



## **Taxation**

### **(ii) Resident holders of Securities**

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the "**Relibi Law**") mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Securities, nor on accrued but unpaid interest in respect of Securities, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Securities held by Luxembourg resident holders of Securities.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is resident of Luxembourg will be subject to a withholding tax of 10%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent.

### **10. The Netherlands Taxation**

#### **General**

*The following summary outlines the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Securities, but does not purport to be a comprehensive description of all Netherlands tax considerations in relation thereto. This summary is intended as general information only for holders of Securities who are residents or deemed residents of the Netherlands for Netherlands tax purposes. Each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Securities.*

*This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Prospectus, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.*

*This summary does not address the Netherlands tax consequences for:*

- (i) holders of Securities holding a substantial interest (aanmerkelijk belang) or deemed substantial interest (fictief aanmerkelijk belang) in the Issuer and holders of Securities of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds or is deemed to hold (i) an interest of 5 per cent. or more of the total issued capital of the Issuer or of 5 per cent. or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;*
- (ii) investment institutions (fiscale beleggingsinstellingen);*
- (iii) pension funds, exempt investment institutions (vrijgestelde beleggingsinstellingen) or other entities that are exempt from Netherlands corporate income tax;*
- (iv) persons to whom the Securities and the income from the Securities are attributed based on the separated private assets (afgezonderd particulier vermogen) provisions of the Netherlands income tax Act 2001 (Wet inkomstenbelasting 2001) and the Netherlands gift and inheritance tax Act (Successiewet 1956); and*
- (v) holders of Securities for whom the benefits from the Securities qualify for the participation exemption within the meaning of article 13 of the Netherlands corporate income tax act 1969 (Wet op de vennootschapsbelasting 1969).*

*For the purpose of the Netherlands tax consequences described herein, it is assumed that the Issuer is neither a resident nor deemed to be a resident of the Netherlands for Netherlands tax purposes.*

Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom.

## ***Taxation***

This summary does not describe the consequences of the exchange or the conversion of the Securities.

### **Netherlands Withholding Tax**

All payments made by the Issuer under the Securities may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

### **Netherlands Corporate and Individual Income Tax**

If a holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Securities are attributable, income derived from the Securities and gains realised upon the redemption, settlement or disposal of the Securities are generally taxable in the Netherlands (at up to a maximum rate of 25 per cent.).

If an individual holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes (including an individual holder who has opted to be taxed as a resident of the Netherlands), income derived from the Securities and gains realised upon the redemption, settlement or disposal of the Securities are taxable at the progressive rates (at up to a maximum rate of 52 per cent.) under the Netherlands income tax act 2001 (*Wet inkomstenbelasting 2001*), if:

- (i) the holder is an entrepreneur (*ondernemer*) and has an enterprise to which the Securities are attributable or the holder has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Securities are attributable; or
- (ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance of activities with respect to the Securities that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies to the holder of the Securities, taxable income with regard to the Securities must be determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments is fixed at a rate of 4 per cent. of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year (1 January), insofar as the individual's yield basis exceeds a certain threshold. The individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Securities less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Securities will be included as an asset in the individual's yield basis. The 4 per cent. deemed return on income from savings and investments is taxed at a rate of 30 per cent.

### **Netherlands Gift and Inheritance Tax**

Generally, gift and inheritance tax will be due in the Netherlands in respect of the acquisition of the Securities by way of a gift by, or on behalf of, or on the death of, a holder that is a resident or deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax at the time of the gift or his or her death. A gift made under a condition precedent is deemed to be a made at the time the condition precedent is fulfilled and is subject to Netherlands gift and inheritance tax if the donor is, or is deemed to be a resident of the Netherlands at that time.

A holder of Netherlands nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift and inheritance tax if he or she has been resident in the Netherlands and dies or makes a gift within ten years after leaving the Netherlands. A holder of any other nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift tax if he or she has been resident in the Netherlands and makes a gift within a twelve months period after leaving the Netherlands. The same twelve-month rule may apply to entities that have transferred their seat of residence out of the Netherlands.

### **Netherlands Value Added Tax**

In general, no value added tax will arise in respect of payments in consideration for the issue of the Securities or in respect of a cash payment made under the Securities, or in respect of a transfer of Securities.

## ***Taxation***

### **Other Netherlands Taxes and Duties**

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Securities.

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

### **11. Austrian Taxation**

*This section on taxation contains a brief summary of the Issuer's understanding with regard to certain important principles which are of significance in connection with the purchase, holding or sale of the Securities in the Republic of Austria. This summary does not purport to exhaustively describe all possible tax aspects and does not deal with specific situations which may be of relevance for certain potential investors. The following comments are rather of a general nature and included herein solely for information purposes. These comments are not intended to be, nor should they be construed to be, legal or tax advice. This summary furthermore only refers to investors which are subject to unlimited (corporate) income tax liability in Austria. It is based on the currently valid tax legislation, case law and regulations of the tax authorities, as well as their respective interpretation, all of which may be amended from time to time. Such amendments may possibly also be effected with retroactive effect and may negatively impact on the tax consequences described. It is recommended that potential purchasers of the Securities consult with their legal and tax advisors as to the tax consequences of the purchase, holding or sale of the Securities. Tax risks resulting from the Securities (in particular from a potential qualification as a foreign investment fund within the meaning of sec. 42 of the Austrian Investment Funds Act 1993 Investmentfondsgesetz 1993) shall in any case be borne by the purchaser. For the purposes of the following it is assumed that the Securities are legally and factually offered to an indefinite number of persons and purchased after 31 March 2012.*

#### **General remarks**

Individuals having a permanent domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*) in Austria are subject to income tax (*Einkommensteuer*) in Austria on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*). Individuals having neither a permanent domicile nor their habitual abode in Austria are subject to income tax only on income from certain Austrian sources (limited income tax liability; *beschränkte Einkommensteuerpflicht*).

Corporations having their place of effective management (*Ort der Geschäftsleitung*) and/or their legal seat (*Sitz*) in Austria are subject to corporate income tax (*Körperschaftsteuer*) in Austria on their worldwide income (unlimited corporate income tax liability; *unbeschränkte Körperschaftsteuerpflicht*). Corporations having neither their place of effective management nor their legal seat in Austria are subject to corporate income tax only on income from certain Austrian sources (limited corporate income tax liability; *beschränkte Körperschaftsteuerpflicht*).

Both in case of unlimited and limited (corporate) income tax liability Austria's right to tax may be restricted by double taxation treaties.

## *Taxation*

### **Income taxation of Securities**

With the passing of the Budget Accompanying Act of 2011 (*Budgetbegleitgesetz 2011*), the Austrian legislator intended to comprehensively realign the taxation of financial instruments, in particular with regard to capital gains. Pursuant to the newly worded sec. 27(1) of the Austrian Income Tax Act, the term investment income (*Einkünfte aus Kapitalvermögen*) comprises:

- (i) income from the letting of capital (*Einkünfte aus der Überlassung von Kapital*) pursuant to sec. 27(2) of the Austrian Income Tax Act, including dividends and interest;
- (ii) income from realised increases in value (*Einkünfte aus realisierten Wertsteigerungen*) pursuant to sec. 27(3) of the Austrian Income Tax Act, including gains from the sale, redemption and other realisation of assets that lead to income from the letting of capital, zero coupon bonds and also broken-period interest; and
- (iii) income from derivatives (*Einkünfte aus Derivaten*) pursuant to sec. 27(4) of the Austrian Income Tax Act, including cash settlements, option premiums received and income from the sale or other realisation of forward contracts like options, futures and swaps and other derivatives such as index certificates.

Also the withdrawal of Securities from a bank deposit (*Depotentnahme*) is considered as a sale (except if the transfer to another bank deposit does not result in Austria losing its right to tax vis-à-vis other countries and if specific notifications as mentioned in sec. 27(6)(1)(a) of the Austrian Income Tax Act are effected).

Individuals subject to unlimited income tax liability in Austria holding Securities as a non-business asset are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. In case of investment income with an Austrian nexus (*inländische Einkünfte aus Kapitalvermögen*), basically meaning income that is paid by an Austrian paying agent (*auszahlende Stelle*) or an Austrian custodian agent (*depotführende Stelle*), the income is subject to a withholding tax of 25%; no additional income tax is levied over and above the amount of tax withheld (final taxation pursuant to sec. 97(1) of the Austrian Income Tax Act). In case of investment income without an Austrian nexus, the income must be included in the income tax return and is subject to a flat income tax rate of 25%. In both cases upon application the option exists to tax all income subject to the tax rate of 25% at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). Pursuant to sec. 27(8) of the Austrian Income Tax Act, losses from investment income may not be offset with other types of income. Negative income subject to the flat tax rate of 25% may not be offset with income subject to the progressive income tax rate (this equally applies in case of an exercise of the option to regular taxation). Further, an offsetting of losses from realised increases in value and from derivatives with (i) interest and other claims against credit institutions and (ii) income from Austrian or foreign private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*) is not permissible.

Individuals subject to unlimited income tax liability in Austria holding Securities as a business asset are subject to income tax on all resulting investment income pursuant to sec. 27(1) of the Austrian Income Tax Act. In case of investment income with an Austrian nexus (as described above) the income is subject to a withholding tax of 25%. While this withholding tax has the effect of final taxation for income from the letting of capital, income from realised increases in value and income from derivatives must on the other hand be included in the income tax return (nevertheless flat income tax rate of 25%). In case of investment income without an Austrian nexus, the income must always be included in the income tax return (flat income tax rate of 25%). In both cases upon application the option exists to tax all income subject to the tax rate of 25% at the lower progressive income tax rate (option to regular taxation pursuant to sec. 27a(5) of the Austrian Income Tax Act). Pursuant to sec. 6(2)(c) of the Austrian Income Tax Act, depreciations to the lower fair market value and losses from the sale, redemption and other realisation of financial assets and derivatives in the sense of sec. 27(3) and (4) of the Austrian Income Tax Act, which are subject to the special tax rate of 25%, are primarily to be offset against income from realised increases in value of such financial assets and derivatives and with appreciations in value of such assets; only half of the remaining negative difference may be offset against other types of income.

Corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on interest from Securities at a rate of 25%. In case of investment income with an Austrian nexus (as described above) the income is subject to a withholding tax of 25%, which can be credited against the corporate income tax liability. However, under the conditions set forth in sec. 94(5) of the Austrian Income Tax Act no withholding tax is levied in the first place. Income from the sale of the Securities is subject to corporate income tax of 25%. Losses from the sale of the Securities can be offset against other income.

## ***Taxation***

Private foundations pursuant to the Austrian Private Foundations Act fulfilling the prerequisites contained in sec. 13(3) and (6) of the Austrian Corporate Income Tax Act and holding Securities as a non-business asset are subject to interim taxation at a rate of 25% on interest income, income from realised increases in value and income from derivatives. In case of investment income with an Austrian nexus (as described above) the income is subject to a withholding tax of 25%, which can be credited against the tax falling due. Under the conditions set forth in sec. 94(12) of the Austrian Income Tax Act no withholding tax is levied.

As of 1 January 2013, pursuant to sec. 93(6) of the Austrian Income Tax Act, the Austrian custodian agent will be obliged to automatically offset negative investment income against positive investment income, taking into account all of a taxpayer's bank deposits with the custodian agent (for the period from 1 April 2012 to 31 December 2012 grandfathering provisions exist). Negative income is primarily to be offset against positive income which is earned at the same or a later point in time. If this is not possible, withholding tax on positive income withheld at an earlier point in time has to be credited. Losses may not be offset across bank deposits by the custodian agent, *inter alia*, in case of bank deposits held as business assets or in trust. The custodian agent has to issue a written confirmation on the offsetting of losses for each bank deposit.

Pursuant to sec. 42 of the Austrian Investment Funds Act 1993, a foreign investment fund is defined as any assets subject to a foreign jurisdiction which, irrespective of the legal form they are organised in, are invested according to the principle of risk-spreading on the basis either of a statute, of the entity's articles or of customary exercise. Certain collective investment vehicles investing in real estate are exempted. It should be noted that the Austrian tax authorities have commented upon the distinction between index certificates of foreign issuers on the one hand and foreign investment funds on the other hand in the Investment Fund Regulations (*Investmentfondsrichtlinien*). Pursuant to these, no foreign investment fund may be assumed if for the purposes of the issuance no predominant actual purchase of the underlying assets by the issuer or a trustee of the issuer, if any, is made and no actively managed assets exist. Directly held bonds shall not be considered as foreign investment funds if the performance of the bonds depends on an index, notwithstanding the fact of whether the index is a well-known one, an individually constructed "fixed" index or an index which is changeable at any time.

### **EU withholding tax**

Sec. 1 of the Austrian EU Withholding Tax Act (*EU-Quellensteuergesetz*) – which transforms into national law the provisions of Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments – provides that interest payments paid or credited by an Austrian paying agent to a beneficial owner who is an individual resident in another Member State (or in certain dependent or associated territories) is subject to a withholding tax if no exception from such withholding applies. Sec. 10 of the Austrian EU Withholding Tax Act provides for an exemption from withholding tax where the beneficial owner presents to the paying agent a certificate drawn up in his/her name by the competent authority of his/her Member State of residence for tax purposes, indicating the name, address and tax or other identification number or, failing such, the date and place of birth of the beneficial owner, the name and address of the paying agent, and the account number of the beneficial owner or, where there is none, the identification of the security; such certificate shall be valid for a period not exceeding three years. As of 1 July 2011, the withholding rate has been raised to 35%.

Regarding the issue of whether also index certificates are subject to the EU withholding tax, the Austrian tax authorities distinguish between index certificates with and without a capital guarantee, a capital guarantee being the promise of repayment of a minimum amount of the capital invested or the promise of the payment of interest. The exact tax treatment of index certificates furthermore depends on their underlying.

Pursuant to guidelines published by the Austrian Federal Ministry of Finance, income from warrants, pursuant to which the holders of the Securities are entitled (but not obliged) to buy or sell a specified underlying at a specific price or to receive or pay a difference amount relating to the value of such underlying at a predetermined date (*Optionsscheine*), does not qualify as interest within the meaning of the Austrian EU Withholding Tax Act.

### **Austrian inheritance and gift tax**

Austria does not levy an inheritance and gift tax anymore.

However, it should be noted that certain gratuitous transfers of assets to (Austrian or foreign) private law foundations and comparable legal estates (*privatrechtliche Stiftungen und damit vergleichbare Vermögensmassen*) are subject to foundation tax (*Stiftungseingangssteuer*) pursuant to the Austrian Foundation Tax Act (*Stiftungseingangssteuergesetz*). Such tax is triggered if the

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transferor and/or the transferee at the time of transfer have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. Certain exemptions apply in case of a transfer *mortis causa*, in particular for bank deposits, publicly placed bonds and portfolio shares (i.e., less than 1%). The tax basis is the fair market value of the assets transferred minus any debts, calculated at the time of transfer. The tax rate is in general 2.5%, with a higher rate of 25% applying in special cases.

In addition, a special notification obligation exists for gifts of money, receivables, shares in corporations, participations in partnerships, businesses, movable tangible assets and intangibles. The notification obligation applies if the donor and/or the donee have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. Not all gifts are covered by the notification obligation: In case of gifts to certain related parties, a threshold of EUR 50,000 per year applies; in all other cases, a notification is obligatory if the value of gifts made exceeds an amount of EUR 15,000 during a period of five years. Furthermore, gratuitous transfers to foundations falling under the Austrian Foundation Tax Act described above are also exempt from the notification obligation. Intentional violation of the notification obligation may lead to the levying of fines of up to 10% of the fair market value of the assets transferred.

Further, it should be noted that pursuant to sec. 27(6)(1)(a) of the Austrian Income Tax Act the withdrawal of financial assets and derivatives in the sense of sec. 27(3) and (4) of the Austrian Income Tax Act is considered as a sale. Thus, also gratuitous transfers of Securities can trigger income tax on the level of the transferor. Under the circumstances mentioned in sec. 27(6)(1)(a)(4) and (5) of the Austrian Income Tax Act, no income tax is triggered.

### **12. Irish Taxation**

*The following is a summary of the Irish withholding tax treatment of the Securities. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities. The summary relates only to the position of Irish withholding taxes on the Securities.*

The summary is based upon Irish tax laws and the practice of the Revenue Commissioners of Ireland as in effect on the date of this Base Prospectus. Prospective investors in the Securities should consult their own advisers as to the Irish or other tax consequences of the purchase, beneficial ownership and disposition of the Securities including, in particular, the effect of any state or local law taxes.

#### **Irish Withholding Tax**

Irish withholding tax applies to certain payments including payments of:

- Irish source yearly interest (i.e. interest that is capable of arising for a period in excess of one year);
- Irish source annual payments (annual payments are payments that are made over a period in excess of one year and are pure income-profit in the hands of the recipient); and
- Distributions (including interest that is treated as a distribution under Irish law) made by Irish resident companies, at the standard rate of income tax (currently 20 per cent.).

On the basis that the Issuer is not resident in Ireland for the purposes of Irish tax, nor does the Issuer operate in Ireland through a branch or agency with which the issue of the Securities is connected, nor are the Securities held in Ireland through a depository, or otherwise located in Ireland, then to the extent that payments of interest or annual payments arise on the Securities, such payments would not be regarded as payments having an Irish source for the purposes of Irish taxation.

Accordingly, the Issuer should not be obliged to deduct any amount on account of Irish tax from payments made in connection with the Securities.

## ***Taxation***

### **Irish Encashment Tax**

Payments on any Securities paid by a paying agent in Ireland or to an agent in Ireland may be subject to Irish encashment tax at the standard rate of Irish tax (currently 20 per cent.), unless it is proved, on a claim made in the required manner to the Revenue Commissioners of Ireland, that the beneficial owner of the Securities entitled to the interest or distribution is not resident in Ireland for the purposes of Irish tax and such interest or distribution is not deemed, under the provisions of Irish tax legislation, to be income of another person that is resident in Ireland.

### **13. Polish Taxation**

*The following information is based on the tax laws in effect in Poland at the time of preparing this Prospectus as well as on the interpretation of such laws derived from tax authorities' practice and the jurisprudence of administrative courts. Legislative changes or changes in the interpretation of the tax laws, including changes in the jurisprudence of administrative courts or tax authorities' practice, may lead to the statements included in this Prospectus no longer being valid. Any such changes may be retroactive.*

*The tax information contained in this Prospectus is of a general nature and is not legal or tax advice. Particular matters are presented selectively and do not take into account all situations relevant for an investor. Prospective investors are recommended to seek the advice of persons or entities professionally engaged in tax advice in order to obtain information about tax consequences relevant to their individual case.*

*The term "interest" as used below as well as other terms have the meanings assigned to them on the grounds of the Polish tax law.*

#### ***Income tax***

The information provided below does not cover tax consequences concerning income tax exemptions applicable to specific taxable items or specific taxpayers (eg domestic or foreign investment funds).

Given that the issuer will be a UK entity, interest income from the Securities should be considered as interest not derived from the territory of Poland.

#### **Natural persons subject to an unlimited tax obligation in Poland**

Under Art. 3.1 of the Personal Income Tax ("PIT") Act, natural persons residing in Poland are required to pay tax on all their income (revenue) regardless of the location of the source of revenue (unlimited tax obligation). A natural person residing in Poland is an individual: (i) whose centre of personal or economic interests (the centre of life affairs) is in Poland; or (ii) who stays in Poland more than 183 days in a fiscal year. These provisions should be applied taking into account the relevant double tax treaties concluded by Poland.

#### **Tax treatment of interest (discount) income from Securities**

Under Art. 17.1.3 of the PIT Act, interest (discount) on securities (including interest on Securities) is treated as revenue from money capital.

Pursuant to Art. 30a of the PIT Act, interest earned by natural persons subject to an unlimited tax obligation in Poland is not aggregated with income from other sources, and it is subject to tax at a flat rate of 19 per cent. Under Art. 30a.9 of the PIT Act, tax payers who earn interest outside Poland (including the interest income from Securities) shall deduct the amount that corresponds to the amount of tax paid abroad from the Polish tax liability, however the deduction cannot exceed the amount of tax calculated for said revenue (income), applying the 19 per cent. rate.

Pursuant to Art. 41.4 of the PIT Act, the entities making the payments or placing cash values at the taxpayer's disposal are required to withhold tax on interest or discount income from securities. Therefore, it is not the taxpayer but the person making the payment as tax remitter that is responsible for settling the tax. However, although this is not directly provided for in the law, in practice this withholding obligation is not regarded as applicable to foreign (ie non-Polish) entities making the payments or placing cash values at the taxpayer's disposal. Consequently, the taxpayers will be expected to settle the Polish income tax on any interest earned from Securities by themselves.

## ***Taxation***

Under Art. 45.3b of the PIT Act, income tax on interest earned from securities (including Securities), which has not been collected by a tax remitter, should be settled by the taxpayer himself/herself in the annual tax return filed by 30 April of the following year. Pursuant to Art. 30a.11 of the PIT Act, the amount of tax calculated for interest earned outside Poland (including interest from Securities) and the amount of tax paid abroad on that interest, shall be disclosed by taxpayers in the annual tax return.

Separate regulations concerning omnibus accounts were introduced in 2012. Under the amended Art. 30a.2a of the PIT Act, with respect to income (revenue) from interest transferred to taxpayers holding rights attached to securities (including Securities) registered in omnibus accounts whose identity has not been revealed to the tax remitter in accordance with the Act on Trading in Financial Instruments, a 19 per cent. flat-rate tax is withheld by the tax remitter from the aggregate income (revenue) released for the benefit of all such taxpayers through the omnibus account holder.

Under Art. 45.3c of the PIT Act, taxpayers are obliged to disclose the amount of interest (discount) on securities (including Securities) in the annual tax return if Securities were registered in an omnibus account and the taxpayer's identity was not revealed to the tax remitter.

The above regulations do not apply if a natural person holds Securities and earns interest on them as part of its business operations, and the Securities are treated as assets related to these business operations. If this is the case, interest or discount should be treated as revenue from business operations and taxed in accordance with the rules applicable to this source of revenue.

### **Other income from Securities, including income from disposal of Securities against consideration**

Pursuant to Art. 17 of the PIT Act, gains from the disposal of securities (including Securities) against consideration are treated as revenue from money capital. The same treatment applies to derivatives and income from Warrants may be classified as income from derivatives.

Under Art. 30b.5 of the PIT Act, income from the disposal of securities (including Securities) against consideration or from derivatives is not subject to the general progressive tax scale, but pursuant to Art. 30b.1 of the PIT Act it is subject to a 19 per cent. flat-rate tax. Under Art. 30b.2.1-3 of the PIT Act, the abovementioned income includes: (i) the difference between the sum of revenues earned from the disposal of securities (including Securities) against consideration and the tax deductible costs, calculated in accordance with the relevant provisions of the PIT Act, in the given tax year and pursuant to Art. 17.2 and Art. 19.1 of the PIT Act, if the price set out in the agreement is unreasonably different from the market value, the revenues are determined by the tax authority or fiscal control authority in the amount reflecting the market value; (ii) the difference between the sum of revenues earned from the exercising of rights attached to the securities (including Securities) incorporating rights to acquire underlying securities (or cash settled with other securities as underlying assets) and tax deductible expenses specified pursuant to the relevant provisions of the PIT Act, and (iii) the difference between the sum of revenue earned from the disposal of derivatives for remuneration and from exercising the rights attached to them, and the tax deductible expenses calculated in accordance with the relevant provisions of the PIT Act.

The taxpayer himself/herself is obliged to settle the tax on disposal of securities (including Securities) and no tax or tax advances are withheld by the person making the payments, and to settle the tax in the annual tax return filed by 30 April of the year following the fiscal year.

The above regulations do not apply if securities (including Securities) are disposed of against consideration or other income is received from the securities as part of business operations and the securities are treated as assets related to these business operations. If this is the case, such revenue should be recognised as business revenue and taxed in accordance with the rules applicable to this source of revenue.

### **Corporate income taxpayers subject to an unlimited tax obligation in Poland**

Pursuant to Art. 3.1 of the Corporate Income Tax ("CIT") Act, taxpayers who have their registered office or place of management in Poland are subject to Polish income tax on all their income regardless of where it is earned (unlimited tax obligation).

#### ***Tax treatment of interest (discount) income from Securities***

Interest (discount) on securities (including Securities) received by corporate income tax payers subject to an unlimited tax obligation in Poland is taxable on the general terms applicable to other revenue from business operations. Interest income is aggregated with



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income from other sources and subject to taxation on general terms at the 19 per cent. tax rate. As a rule, interest revenue is recognised on a cash basis, that is upon receipt rather than upon accrual. The taxpayer independently (without the involvement of the tax remitter) settles tax on interest (discount) on securities, which is aggregated with other income derived from business operations conducted by the taxpayer.

### ***Other income from Securities, including income from the disposal of Securities against consideration***

Income from the disposal of securities (including Securities) against consideration or from realisation of the rights embodied in those securities (other than receiving interest) by corporate income tax payers subject to an unlimited tax obligation in Poland is taxable on the general terms applicable to other revenue from business operations. Such income is aggregated with income from other sources and is subject to taxation on the general terms at the 19 per cent. tax rate. If, for no valid reason, the price listed in the sale agreement materially differs from the market value, the revenue is determined by a competent tax authority or fiscal control authority at the market value. As for income from the disposal of securities against consideration, tax deductible expenses are recognised at the time the matching revenue is earned. The taxpayer independently (without the involvement of a tax remitter) settles tax on income from the disposal of securities against consideration, which is aggregated with other income derived from business operations conducted by the taxpayer.

### **Natural persons and corporate income taxpayers subject to a limited tax obligation in Poland**

Pursuant to Art. 3.2a of the PIT Act, natural persons domiciled outside Poland are subject to a tax obligation exclusively for their income (revenue) earned in Poland.

Pursuant to Art. 3.2 of the CIT Act, corporate income tax payers with their registered office or place of management in the territory of Poland are subject to a tax obligation exclusively for their income earned in Poland.

### ***Tax treatment of interest (discount) income from Securities or realisation of rights embodied in Warrants***

Given that the issuer is a non-Polish entity, in principle, interest income from Securities should be considered as not originating in Poland and therefore, non-resident natural persons or corporate income taxpayers, as a rule, should not be subject to Polish income tax on this income. The same argumentation and consequences should apply to the realisation of rights embodied in Warrants.

### ***Tax treatment of disposal of Securities against consideration***

Given that the issuer is a non-Polish entity, in principle, income from the disposal of Securities for remuneration should be considered as not originating in Poland and therefore, non resident natural persons or corporate income taxpayers, as a rule, should not be subject to Polish income tax on this income, unless the Securities are listed on a stock exchange in Poland (the Warsaw Stock Exchange) and the sale is performed on the exchange in Poland, in which case the tax authorities may consider the income as originating in Poland.

As a rule, the above principles of taxation of income from the disposal of Securities against consideration as described concerning Polish tax residents also apply to income earned in Poland by natural persons and legal entities subject to a limited tax obligation in Poland, unless the relevant double tax treaties provide otherwise.

Under the numerous double tax treaties entered into by Poland, income earned on the disposal of securities (including Securities) by tax residents of a given country is not subject to taxation in Poland.

### ***Tax on inheritances and donations***

Pursuant to Art. 1.1, in conjunction with Art. 2 of the Act on Tax on Inheritances and Donations, tax on inheritances and donations applies to the acquisition by natural persons of proprietary rights, including rights attached to securities, through inheritance, bequest, will or donation, if at the moment of opening the succession or on the date of the donation agreement the heir or beneficiary were Polish citizens or permanently resided in Poland or the proprietary rights were exercisable in Poland.

## ***Taxation***

In light of Art. 7.1 of the Act on Tax on Inheritances and Donations, the taxable base is, in principle, the value of acquired assets and proprietary rights after deducting debts and encumbrances (net value), established according to the balance of assets and proprietary rights on the acquisition day and market prices on the day the tax obligation arose.

The tax rates for inheritances and donations vary and are determined by the degree of consanguinity or affinity or any other personal relationship between the heir and the testator or the donor and the donee.

If the agreement has the form of a notarial deed, the tax on inheritances and donations is collected and remitted by the notary public.

Under Art. 4a.1 of the Act on Tax on Inheritances and Donations, the acquisition of assets or proprietary rights (including bonds) by a spouse, descendant, ascendant, stepson, sibling, stepfather or stepmother is exempt from tax on inheritances and donations if they report the acquisition of assets or proprietary rights to the head of the competent tax authority within six months from the date the tax obligation arises or, in the event of an acquisition by inheritance, within six months of the date on which the court decision acknowledging the acquisition of the inheritance becomes legally binding. If this condition is not satisfied, the acquisition of assets or proprietary rights by such persons is taxable on the terms applicable to acquirers included in Tax Group I.

Pursuant to Art. 3.1 of the Act on Tax on Inheritances and Donations, the acquisition of proprietary rights (including bonds) exercisable in Poland is not subject to tax if, on the day of acquisition neither the acquirer nor the testator (or the donor) were Polish citizens or permanently resided or had their registered offices in Poland.

### ***Tax on civil law transactions***

In light of Art. 1.1.1.a of the Tax on Civil Law Transactions Act, agreements for sale or exchange of assets or proprietary rights are subject to a civil law transaction tax. These transactions are taxable if their subjects are:

- assets located in Poland or proprietary rights exercisable in Poland;
- assets located abroad or proprietary rights exercisable abroad if the acquirer's place of residence or registered office is located in Poland and the civil law transaction was carried out in Poland.

As a rule, a sale of bonds issued by companies with their registered offices in Poland is considered to be a sale of proprietary rights exercisable in Poland and is thus subject to tax on civil law transactions at a rate of 1 per cent., which is payable by the buyer and should be settled within 14 days from the date on which the transaction was performed (ie from the day on which the sale agreement was concluded). The taxable base is the market value of the asset or proprietary right. If the agreement is executed in the form of a notarial deed, the tax must be withheld and settled by the notary public as the tax remitter.

However, pursuant to Art. 9.9 of the Tax on Civil Law Transactions Act, the sale of proprietary rights being financial instruments: (i) to investment firms or foreign investment firms, (ii) made with the intermediation of investment firms or foreign investment firms; (iii) made on an organised market, (iv) made outside an organised market by investment firms or foreign investment firms, if the proprietary rights were acquired by those firms on an organised market, is exempt from the tax on civil law transactions.

### ***Remitter's liability***

Under Art. 30 of the Tax Code, a tax remitter failing to fulfil its duty to calculate, withhold or pay tax to a relevant tax authority is liable for the tax that has not been withheld or that has been withheld but not paid, up to the value of all its assets. The tax remitter is not liable if the tax has not been withheld due to the taxpayer's fault. In such a case, the relevant tax authority issues a decision concerning the taxpayer's liability.

**PROSPECTIVE SECURITYHOLDERS WHO ARE IN ANY DOUBT AS TO THEIR TAX POSITION OR WHO MAY BE SUBJECT TO TAX IN ANY RELEVANT JURISDICTION SHOULD SEEK INDEPENDENT PROFESSIONAL ADVICE.**

## *Certain ERISA Considerations*

### **CERTAIN ERISA CONSIDERATIONS**

Unless otherwise provided in the applicable Final Terms, the N&C Securities should be eligible for purchase by employee benefit plans and other plans subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and/or the provisions of section 4975 of the Code and by governmental, church and non-U.S. plans that are subject to state, local, other federal law of the United States or non-U.S. law that is substantially similar to ERISA or the Code ("**Similar Law**") subject to consideration of the issues described in this section. ERISA imposes certain requirements on "employee benefit plans" (as defined in section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of an ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment including, but not limited to, the matters discussed under "*Risk factors*".

Section 406 of ERISA and section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, the "**Plans**")) and certain persons (referred to as "**parties in interest**" or "**disqualified persons**") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person, including a Plan fiduciary, who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The Issuer, the Guarantor, the Dealers, the Agents or any other party to the transactions referred to in this Prospectus may be parties in interest or disqualified persons with respect to many Plans. Prohibited transactions within the meaning of section 406 of ERISA or section 4975 of the Code may arise if any of the N&C Securities is acquired or held by a Plan, including but not limited to where the Issuer, the Guarantor, the Dealers, the Agents or any other party to such transactions is a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of section 406 of ERISA and section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire any N&C Securities and the circumstances under which such decision is made. Included among these exemptions are section 408(b)(17) of ERISA and section 4975(d)(20) of the Code (relating to transactions between a person that is a party in interest (other than a fiduciary or an affiliate that has or exercises discretionary authority or control or renders investment advice with respect to assets involved in the transaction) solely by reason of providing services to the plan, provided that there is adequate consideration for the transaction), Prohibited Transaction Class Exemption ("**PTCE**") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a qualified professional asset manager), PTCE 95-60 (relating to transactions involving insurance company general accounts), PTCE 90-1 (relating to investments by insurance company pooled separate accounts) and PTCE 96-23 (relating to transactions determined by in-house asset managers). Prospective investors should consult with their advisors regarding the prohibited transaction rules and these exceptions. There can be no assurance that any of these exemptions or any other exemption will be available with respect to any particular transaction involving any Notes.

Governmental plans (as defined in section 3(32) of ERISA) and certain church plans (as defined in section 3(33) of ERISA) and other plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of section 406 of ERISA and section 4975 of the Code, may nevertheless be subject to Similar Law. Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, if necessary, and the availability of, any exemptive relief under any Similar Law.

Accordingly, except as otherwise provided in the applicable Final Terms, each purchaser and subsequent transferee of any N&C Securities will be deemed by such purchase or acquisition of any such N&C Securities to have represented and warranted, on each day from the date on which the purchaser or transferee acquires such N&C Securities (or any interest therein) through and including the date on which the purchaser or transferee disposes of such N&C Securities (or any interest therein), either that (a) it is not a Plan or any entity whose underlying assets include, or are deemed for purposes of ERISA or the Code to include, the assets of any Plan or a governmental, church or non-U.S. plan which is subject to any Similar Law or (b) its acquisition, holding and disposition of such Notes (or any interest therein) will not constitute or result in a prohibited transaction under section 406 of ERISA or section 4975 of the Code (or, in the case of a governmental, church or non-U.S. plan subject to Similar Law, a violation of any Similar Law) for which an exemption is not available.

### *Certain ERISA Considerations*

Each Plan fiduciary who is responsible for making the investment decisions whether to purchase or commit to purchase and to hold any of the Notes should determine whether, under the documents and instruments governing the Plan, an investment in such N&C Securities is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio. Any Plan proposing to invest in such N&C Securities (including any governmental, church or non-U.S. plan) should consult with its counsel to confirm that such investment will not constitute or result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA and the Code (or, in the case of a governmental, church or non-U.S. plan, any Similar Law).

The sale of any N&C Securities to a Plan is in no respect a representation by the Issuer, the Guarantor, the Dealers, the Agents or any other party to the transactions that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

Any further ERISA considerations with respect to the N&C Securities may be found in the relevant Final Terms.

## *Notice to Purchasers and Holders of N&C Securities and Transfer Restrictions*

### **NOTICE TO PURCHASERS AND HOLDERS OF N&C SECURITIES AND TRANSFER RESTRICTIONS**

The N&C Securities have not been registered under the Securities Act or the securities laws of any state and have not been approved or disapproved by the SEC or any U.S. state securities authority. Neither the SEC nor any state securities authority in any other jurisdiction has passed upon the accuracy or adequacy of this Base Prospectus. Trading in the N&C Securities has not been approved by the CFTC pursuant to the CEA. Any representation to the contrary is unlawful.

*As a result of the following restrictions, purchasers of N&C Securities are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such N&C Securities.*

#### **Transfer Restrictions**

Each purchaser of N&C Securities obtaining an interest in Immobilised Bearer N&C Securities will be deemed to have represented and agreed as follows:

- (1) It is purchasing the N&C Securities for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is either (A) a QIB and is aware that the sale to it is being made in reliance on Rule 144A, or (B) a "foreign purchaser" (as defined in "*Subscription and Sale*" below) that is outside the United States (or a foreign purchaser that is a dealer or other fiduciary as referred to in "*Subscription and Sale*" below).
- (2) It acknowledges that neither the N&C Securities nor the Guarantee have been registered under the Securities Act or any other applicable U.S. state securities laws and the N&C Securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below.
- (3) It agrees that the Issuer has no obligation to register the N&C Securities under the Securities Act.
- (4) It will not resell or otherwise transfer any N&C Securities except (A) to the Issuer or any affiliate thereof, (B) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction complying with Rule 144A, (C) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (D) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (E) pursuant to an effective registration statement under the Securities Act, in each case, in accordance with all applicable U.S. state securities laws.
- (5) If it holds an interest in a Permanently Restricted N&C Global Security, if in the future it decides to resell, pledge or otherwise transfer such interest, it will do so only outside the United States in an offshore transaction in compliance with Rule 903 or 904 under the Securities Act to a person that is not a U.S. Person.
- (6) It will give to each person to whom it transfers N&C Securities notice of any restrictions on transfer of those N&C Securities.
- (7) Either (i) it is not and for so long as it holds N&C Securities (or any interest therein) will not be (A) an "employee benefit plan" as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (B) a "plan" as defined in and subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), (C) an entity whose underlying assets include the assets of any such employee benefit plan subject to ERISA or other plan subject to Section 4975 of the Code, or (D) a governmental, church, non-U.S. or other employee benefit plan which is subject to any U.S. federal, state, local or non-U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its acquisition, holding and disposition of the N&C Securities will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or, in the case of such a governmental, church, non-U.S. or other employee benefit plan, a violation of any such substantially similar U.S. federal, state, local or non-U.S. law for which an exemption is not available.

*Notice to Purchasers and Holders of N&C Securities and Transfer Restrictions*

- (8) It understands that the N&C Securities offered in the United States to QIBs in compliance with Rule 144A will be represented by interests in Immobilised Bearer N&C Securities in the form of U.S. CDIs and that N&C Securities offered outside the United States in offshore transactions to non-U.S. persons pursuant to Regulation S will be represented by interests in Immobilised Bearer N&C Securities in the form of European CDIs or Permanently Restricted CDIs.
- (9) It understands that each of the N&C Securities will bear a legend substantially in the form provided below unless otherwise agreed by the Issuer and the holder of particular N&C Securities.
- Any N&C Securities that are offered, sold or transferred in the United States or to or for the account or benefit of a U.S. person (as defined in Regulation S) will either be issued in the form of Definitive Registered N&C Securities registered in the name of the registered holder thereof, or represented by an Immobilised Bearer Global Security which will be deposited with a custodian for, and registered in the name of a nominee of, DTC.
- (10) It acknowledges that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any N&C Securities as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.
- (11) that trading in the N&C Securities has not been and will not be approved by the CFTC under the CEA.
- (12) that in issuing N&C Securities linked to any Relevant Asset, the Issuer is not making, and has not made, any representations whatsoever as to the Relevant Asset or any information contained in any document filed by the issuer of such Relevant Asset with any exchange or with any government entity regulation the purchase and sale of securities or N&C Securities linked to any Relevant Asset.
- (13) that the Issuer and any affiliate of the Issuer may, whether by virtue of the types of relationships described above otherwise, at the date hereof or at any time hereafter be in possession of information in relation to the issuer of a Relevant Asset which is or may be material in the context of an issue of N&C Securities linked to such Relevant Asset and which is or may not be known to the general public or any N&C Securityholder. N&C Securities linked to any Relevant Asset do not create any obligation on the part of the Issuer or any affiliate of the Issuer to disclose to any N&C Securityholder any such relationship or information (whether or not confidential) and neither the Issuer nor any other affiliate of the Issuer shall be liable to any N&C Securityholder by reason of such nondisclosure. No such information has been used in the selection of any issuer of a Relevant Asset for any N&C Securities linked to any Relevant Asset.
- (14) that the Issuer and any affiliate of the Issuer may have existing or future business relationships with the issuer of a Relevant Asset (including, but not limited to, lending, depository, risk management, advisory or banking relationship), and will pursue actions and take steps that it deems or they deem necessary or appropriate to protect its or their interests arising therefrom without regard to the consequences for a holder of N&C Securities linked to the issuer of a Relevant Asset.
- (15) that the market value of N&C Securities linked to the issuer of a Relevant Asset may be adversely affected by movements in the value of the issuer of the Relevant Asset or in currency exchange rates.
- (16) that the Settlement Amount in respect of any N&C Security may be less than its issue price.

Each Definitive Registered N&C Security will bear a legend to the following effect:

"THE SECURITIES REPRESENTED BY THIS DEFINITIVE REGISTERED N&C SECURITY AND ANY GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY BE TRANSFERRED ONLY

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PURSUANT TO THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AS SET FORTH BELOW. TRADING IN THE SECURITIES HAS NOT BEEN APPROVED BY THE U.S. COMMODITY FUTURES TRADING COMMISSION UNDER THE U.S. COMMODITY EXCHANGE ACT, AS AMENDED.

THE REGISTERED OWNER HEREOF, BY PURCHASING THE SECURITIES IN RESPECT OF WHICH THIS DEFINITIVE REGISTERED N&C SECURITY IS ISSUED, (1) REPRESENTS FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO THE SECURITIES THAT IT IS THE SOLE BENEFICIAL OWNER OF THE SECURITIES REPRESENTED HEREBY OR IS PURCHASING SUCH SECURITIES FOR ONE OR MORE ACCOUNTS MAINTAINED BY IT OR OVER WHICH IT EXERCISES SOLE INVESTMENT DISCRETION AND THAT EITHER (A) IT AND ANY SUCH ACCOUNT ARE NOT U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) AND ARE NOT PURCHASING SUCH SECURITIES FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON, OR (B) IT AND ANY SUCH ACCOUNT ARE (OR ARE HOLDING SUCH SECURITIES FOR THE BENEFIT OF) QUALIFIED INSTITUTIONAL BUYERS ("**QIBS**") AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, (2) ACKNOWLEDGES THAT THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED, SOLD, RESOLD OR DELIVERED IN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH ACT IN ACCORDANCE WITH THE TERMS HEREOF, AND (3) AGREES, FOR THE BENEFIT OF THE ISSUER, THAT SUCH SECURITIES MAY ONLY BE OFFERED, SOLD, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DELIVERED (A) OUTSIDE THE UNITED STATES TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH THE PROVISIONS OF REGULATIONS UNDER THE SECURITIES ACT OR (B) TO A PERSON WHO THE SELLER REASONABLY BELIEVES TO BE A QIB WHO IS AWARE THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE SECURITIES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

EACH HOLDER OF THIS DEFINITIVE REGISTERED N&C SECURITY AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS DEFINITIVE REGISTERED N&C SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

FOR THE PURPOSES HEREOF, "**OFFSHORE TRANSACTION**" AND "**U.S. PERSON**" SHALL HAVE THE MEANINGS GIVEN TO THEM IN RULE 902 OF REGULATIONS UNDER THE SECURITIES ACT.

ANY SECURITIES THAT ARE OFFERED, SOLD OR TRANSFERRED IN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON WILL EITHER BE ISSUED IN THE FORM OF DEFINITIVE REGISTERED N&C SECURITIES, REGISTERED IN THE NAME OF THE REGISTERED HOLDER THEREOF, OR BE REPRESENTED BY A RULE 144A GLOBAL N&C SECURITY WHICH WILL BE DEPOSITED WITH A CUSTODIAN FOR, AND REGISTERED IN THE NAME OF A NOMINEE OF, DTC.

[BY ITS PURCHASE AND HOLDING OF THIS SECURITY (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN "**EMPLOYEE BENEFIT PLAN**" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "**PLAN**" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH, NON-

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U.S. OR OTHER EMPLOYEE BENEFIT PLAN, ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW FOR WHICH AN EXEMPTION IS NOT AVAILABLE.]\* "

Each Rule 144A Global N&C Security will bear a legend to the following effect:

"THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY AND ANY GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY BE TRANSFERRED ONLY PURSUANT TO THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AS SET FORTH BELOW. TRADING IN THE SECURITIES HAS NOT BEEN APPROVED BY THE U.S. COMMODITY FUTURES TRADING COMMISSION UNDER THE U.S. COMMODITY EXCHANGE ACT, AS AMENDED.

THE HOLDER HEREOF, BY PURCHASING THE SECURITIES IN RESPECT OF WHICH THIS GLOBAL SECURITY IS ISSUED (OR ANY BENEFICIAL INTEREST OR PARTICIPATION HEREIN) ON ITS OWN BEHALF AND ON BEHALF OF ANY ACCOUNT FOR WHICH IT IS PURCHASING THIS GLOBAL SECURITY OR ANY BENEFICIAL INTEREST OR PARTICIPATION HEREIN, (1) REPRESENTS FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO SUCH SECURITIES THAT IT IS THE SOLE BENEFICIAL OWNER OF THE SECURITIES REPRESENTED HEREBY OR IS PURCHASING SUCH SECURITIES FOR ONE OR MORE ACCOUNTS MAINTAINED BY IT OR OVER WHICH IT EXERCISES SOLE INVESTMENT DISCRETION AND THAT EITHER (A) IT AND ANY SUCH ACCOUNT ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) AND ARE NOT PURCHASING SUCH SECURITIES FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON, OR (B) IT AND ANY SUCH ACCOUNT ARE (OR ARE HOLDING SUCH SECURITIES FOR THE BENEFIT OF) QUALIFIED INSTITUTIONAL BUYERS ("**QIBS**") AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, (2) ACKNOWLEDGES THAT SUCH SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED, SOLD, RESOLD OR DELIVERED IN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM SUCH ACT IN ACCORDANCE WITH THE TERMS HEREOF, (3) AGREES TO NOTIFY ANY SUBSEQUENT TRANSFEREE OF THE TRANSFER RESTRICTIONS SET OUT HEREIN AND THAT IT WILL BE A CONDITION TO SUCH TRANSFER THAT THE TRANSFEREE WILL BE DEEMED TO MAKE THE REPRESENTATIONS SET OUT HEREIN, AND (4) AGREES, FOR THE BENEFIT OF THE ISSUER, THAT SUCH SECURITIES MAY ONLY BE OFFERED, SOLD, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DELIVERED (A) OUTSIDE THE UNITED STATES TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE SECURITIES ACT OR (B) TO A PERSON WHO THE SELLER REASONABLY BELIEVES TO BE A QIB THAT IS AWARE THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR PURSUANT TO ANOTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE SECURITIES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A.

EACH HOLDER OF THIS GLOBAL SECURITY OR AN INTEREST HEREIN AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

FOR THE PURPOSES HEREOF, "**OFFSHORE TRANSACTION**" AND "**U.S. PERSON**" SHALL HAVE THE MEANINGS GIVEN TO THEM IN RULE 902 OF REGULATION S UNDER THE SECURITIES ACT.

BY ITS PURCHASE AND HOLDING OF THIS SECURITY (OR ANY INTEREST THEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974,

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\* To be included in addition to the legend above on N&C Securities delivered in exchange for interests in Rule 144A Global N&C Securities.



*Notice to Purchasers and Holders of N&C Securities and Transfer Restrictions*

AS AMENDED ("**ERISA**") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE THE ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN SUBJECT TO ERISA OR OTHER PLAN SUBJECT TO SECTION 4975 OF THE CODE, OR (IV) A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY WILL NOT RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR, IN THE CASE OF SUCH A GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER EMPLOYEE BENEFIT PLAN, A VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, LOCAL OR NON-U.S. LAW FOR WHICH AN EXEMPTION IS NOT AVAILABLE."

Each Regulation S Global N&C Security will bear a legend to the following effect:

"THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY AND ANY GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. TRADING IN THE SECURITIES HAS NOT BEEN APPROVED BY THE U.S. COMMODITY FUTURES TRADING COMMISSION UNDER THE U.S. COMMODITY EXCHANGE ACT, AS AMENDED.

BY PURCHASING OR OTHERWISE ACQUIRING THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY, THE HOLDER THEREOF ACKNOWLEDGES THAT THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY ARE "RESTRICTED SECURITIES" THAT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT. THE HOLDER AGREES FOR THE BENEFIT OF THE ISSUER THAT, IF IT SHOULD DECIDE TO DISPOSE OF THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY PRIOR TO THE DATE WHICH IS 40 DAYS AFTER THE COMPLETION OF THE DISTRIBUTION OF THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY, THE SECURITY REPRESENTED BY THIS GLOBAL SECURITY MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND ONLY (A) TO PERSONS WHOM THE SELLER REASONABLY BELIEVES TO BE QUALIFIED INSTITUTIONAL BUYERS ("**QIBS**") AS DEFINED IN RULE 144A ("**RULE 144A**") UNDER THE SECURITIES ACT, OR (B) OTHERWISE OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT; PROVIDED THAT, IN THE CASE OF A TRANSFER PURSUANT TO CLAUSE (A), A TRANSFEROR OF THE SECURITIES WILL BE REQUIRED (1) TO EXECUTE AND DELIVER TO THE ISSUER AND THE REGISTRAR A TRANSFER CERTIFICATE (THE FORM OF WHICH IS ATTACHED TO THE AGENCY AGREEMENT AND CAN BE OBTAINED FROM THE REGISTRAR) AND (2) TO EXCHANGE THE PORTION OF THIS GLOBAL SECURITY TO BE SO TRANSFERRED FOR AN INTEREST IN A RULE 144A GLOBAL REGISTERED SECURITY OR A DEFINITIVE REGISTERED SECURITY (AS SET OUT IN THE APPLICABLE FINAL TERMS) TO BE REGISTERED IN THE NAME OF THE TRANSFEREE.

EACH HOLDER OF THIS SECURITY OR AN INTEREST HEREIN AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

FOR THE PURPOSES HEREOF, "**OFFSHORE TRANSACTION**" AND "**U.S. PERSON**" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT.

ANY SECURITIES THAT ARE OFFERED, SOLD OR TRANSFERRED IN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON (AS DEFINED IN REGULATION S) WILL EITHER BE ISSUED IN THE FORM OF A DEFINITIVE REGISTERED N&C SECURITY, REGISTERED IN THE NAME OF THE REGISTERED HOLDER THEREOF, OR BE REPRESENTED BY A RULE 144A GLOBAL N&C SECURITY WHICH WILL BE DEPOSITED WITH A CUSTODIAN FOR, AND REGISTERED IN THE NAME OF A NOMINEE OF, DTC."

*Notice to Purchasers and Holders of N&C Securities and Transfer Restrictions*

Each Permanently Restricted Global N&C Security will bear a legend to the following effect:

"THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY AND ANY GUARANTEE IN RESPECT THEREOF HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THE OFFER, SALE, PLEDGE OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY IS SUBJECT TO CERTAIN CONDITIONS AND RESTRICTIONS. TRADING IN THE SECURITIES HAS NOT BEEN APPROVED BY THE U.S. COMMODITY FUTURES TRADING COMMISSION UNDER THE U.S. COMMODITY EXCHANGE ACT, AS AMENDED.

BY PURCHASING OR OTHERWISE ACQUIRING THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY, THE HOLDER THEREOF ACKNOWLEDGES THAT THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY, OR ANY INTEREST THEREIN, ARE "RESTRICTED SECURITIES" THAT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND ARE BEING OFFERED AND SOLD IN RELIANCE ON REGULATIONS UNDER THE SECURITIES ACT ("**REGULATION S**"). THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY, OR ANY INTEREST THEREIN, MAY NOT AT ANY TIME BE OFFERED, SOLD, RESOLD, TRADED, PLEDGED, REDEEMED, TRANSFERRED OR DELIVERED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON AND ANY OFFER, SALE, RESALE, TRADE, PLEDGE, REDEMPTION, TRANSFER OR DELIVERY MADE, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON WILL NOT BE RECOGNISED. THE SECURITIES REPRESENTED BY THIS GLOBAL SECURITY, OR ANY INTEREST THEREIN, MAY NOT BE LEGALLY OR BENEFICIALLY OWNED AT ANY TIME BY ANY U.S. PERSON AND ACCORDINGLY ARE BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES TO PERSONS THAT ARE NOT U.S. PERSONS IN RELIANCE ON REGULATIONS.

BY ITS PURCHASE OF THIS SECURITY OR ANY INTEREST HEREIN, EACH PURCHASER WILL BE DEEMED OR REQUIRED, AS THE CASE MAY BE, TO HAVE AGREED THAT IT MAY NOT RESELL OR OTHERWISE TRANSFER THIS SECURITY OR ANY INTEREST HEREIN HELD BY IT EXCEPT OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION TO A PERSON THAT IS NOT A U.S. PERSON.

FOR THE PURPOSES HEREOF, "**OFFSHORE TRANSACTION**" AND "**U.S. PERSON**" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATIONS."

***Notice to Purchasers and Holders of Warrants  
and Transfer Restrictions***

**NOTICE TO PURCHASERS AND HOLDERS OF WARRANTS AND TRANSFER RESTRICTIONS**

The Warrants have not been registered under the Securities Act or the securities laws of any state and have not been approved or disapproved by the SEC or any U.S. state securities authority. Neither the SEC nor any state securities authority in any other jurisdiction has passed upon the accuracy or adequacy of this Base Prospectus. Trading in the Warrants has not been approved by the CFTC pursuant to the CEA. Any representation to the contrary is unlawful.

*As a result of the following restrictions, purchasers of the Warrants are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Warrants.*

**Transfer Restrictions**

Each purchaser of the Warrants, by its purchase of the Warrants, will be deemed to have represented and agreed as follows:

- (1) that it is outside the United States and is not a U.S. person;
- (2) that trading in the Warrants has not been and will not be approved by the CFTC under the CEA;
- (3) that it will not at any time offer, sell, resell or deliver, directly or indirectly, any Warrants in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of any U.S. person;
- (4) that it is not purchasing any Warrants for the account or benefit of any U.S. person;
- (5) that it will send each person who purchases Warrants from it a written confirmation (which shall include the definitions of United States and U.S. person set forth herein) stating that the Warrants have not been registered under the Securities Act, that trading in the Warrants has not been approved by the CFTC under the CEA and stating that such purchaser agrees that it will not at any time offer, sell, resell or deliver any of such Warrants, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person;
- (6) that no U.S. person or person in the United States may at any time trade or maintain a position in the Warrants;
- (7) that in issuing a Warrant linked to any Relevant Asset, the Issuer is not making, and has not made, any representations whatsoever as to the Relevant Asset or any information contained in any document filed by the issuer of such Relevant Asset with any exchange or with any government entity regulation the purchase and sale of securities or a Warrant linked to any Relevant Asset;
- (8) that the Issuer and any affiliate of the Issuer may, whether by virtue of the types of relationships described above otherwise, at the date hereof or at any time hereafter be in possession of information in relation to the issuer of a Relevant Asset which is or may be material in the context of an issue of Warrants linked to such Relevant Asset and which is or may not be known to the general public or any Warrantholder. Warrants linked to any Relevant Asset do not create any obligation on the part of the Issuer or any affiliate of the Issuer to disclose to any Warrantholder any such relationship or information (whether or not confidential) and neither the Issuer nor any other affiliate of the Issuer shall be liable to any Warrantholder by reason of such nondisclosure. No such information has been used in the selection of any issuer of a Relevant Asset for any Warrants linked to any Relevant Asset;
- (9) that the Issuer and any affiliate of the Issuer may have existing or future business relationships with the issuer of a Relevant Asset (including, but not limited to, lending, depositary, risk management, advisory or banking relationship), and will pursue actions and take steps that it deems or they deem necessary or appropriate to protect its or their interests arising therefrom without regard to the consequences for a holder of a Warrant linked of the issuer of a Relevant Asset;

***Notice to Purchasers and Holders of Warrants  
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- (10) that the market value of Warrants linked to the issuer of a Relevant Asset may be adversely affected by movements in the value of the issuer of the Relevant Asset or in currency exchange rates;
- (11) that the Settlement Amount or the Assessed Value Payment Amount, as applicable, in respect of any Warrant may be less than its issue price;
- (12) that no Warrants have been or will be registered under the Securities Act or any applicable U.S. State securities laws and no Warrants may be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- (13) it will, and will require each subsequent Warrantholder to, notify any purchaser of Warrants from it of the resale restrictions referred to in paragraph (5) above;
- (14) that, in the case of any resale or transfer of an interest in the Warrants during the Distribution Compliance Period, it will certify to the Principal Warrant Agent that such transfer is being made to a non-U.S. person in an offshore transaction pursuant to Regulation S;
- (15) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Warrants as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Each Global Warrant will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THE WARRANTS REPRESENTED BY THIS GLOBAL WARRANT HAVE NOT BEEN REGISTERED AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"). WARRANTS REPRESENTED BY THIS GLOBAL WARRANT MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHOUT REGISTRATION UNDER THE SECURITIES ACT UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE. TRADING IN THE WARRANTS HAS NOT BEEN APPROVED BY THE U.S. COMMODITY FUTURES TRADING COMMISSION (THE "**CFTC**") UNDER THE U.S. COMMODITY EXCHANGE ACT, AS AMENDED (THE "**CEA**"). THE PURCHASER OF ANY WARRANT REPRESENTED BY THIS GLOBAL WARRANT ACKNOWLEDGES THE RESTRICTIONS ON THE TRANSFER OF THE WARRANTS SET FORTH BELOW AND AGREES THAT IT SHALL TRANSFER ANY WARRANT ONLY AS PROVIDED IN THE FINAL TERMS ATTACHED HERETO.

THE WARRANTS REPRESENTED BY THIS GLOBAL WARRANT MAY NOT BE RESOLD OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FINAL TERMS REFERRED TO HEREIN AND OTHER THAN PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY REGULATION S, AND A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND SHALL BE DELIVERED TO EACH PERSON TO WHOM WARRANTS REPRESENTED BY THIS GLOBAL WARRANT ARE TRANSFERRED. THE WARRANTS REPRESENTED BY THIS GLOBAL WARRANT MAY NOT BE EXERCISED BY OR ON BEHALF OF ANY U.S. PERSON (INCLUDING ANY "U.S. PERSON" OR PERSON THAT IS NOT A "NON-UNITED STATES PERSON" AS EITHER SUCH TERM IS DEFINED IN REGULATION S OR IN REGULATIONS ADOPTED UNDER THE CEA).

EACH HOLDER OF A BENEFICIAL INTEREST IN THE WARRANTS REPRESENTED BY THIS GLOBAL WARRANT SHALL BE DEEMED TO HAVE REPRESENTED WITH RESPECT TO ITSELF AND EACH ACCOUNT FOR WHICH IT IS PURCHASING THAT IT AND EACH HOLDER OF SUCH ACCOUNT IS NOT A U.S. PERSON AND THAT IT AND EACH SUCH HOLDER HAS ACQUIRED SUCH INTEREST IN A TRANSACTION MEETING THE REQUIREMENTS OF REGULATION S AND WILL NOT ENGAGE IN HEDGING TRANSACTIONS WITH REGARD TO THE SECURITIES UNLESS IN COMPLIANCE WITH THE SECURITIES ACT AND THE CEA. ANY RESALE OR OTHER TRANSFER OF AN INTEREST IN THE WARRANTS REPRESENTED BY THIS GLOBAL WARRANT SHALL REQUIRE THE TRANSFEROR TO SEND EACH PERSON WHO PURCHASES WARRANTS

***Notice to Purchasers and Holders of Warrants  
and Transfer Restrictions***

FROM IT A WRITTEN CONFIRMATION (WHICH SHALL INCLUDE THE DEFINITIONS OF UNITED STATES AND U.S. PERSON SET FORTH IN THE FINAL TERMS ATTACHED HERETO) STATING THAT WARRANTS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT, THAT TRADING IN THE WARRANTS HAS NOT BEEN APPROVED BY THE CFTC UNDER THE CEA AND STATING THAT SUCH PURCHASER AGREES THAT IT WILL NOT AT ANY TIME OFFER, SELL, RESELL OR DELIVER ANY OF SUCH WARRANTS, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON (AS DEFINED IN THE FINAL TERMS ATTACHED HERETO). IF AT ANY TIME THE PRINCIPAL WARRANT AGENT SUBSEQUENTLY DETERMINES OR IS SUBSEQUENTLY NOTIFIED BY THE ISSUER THAT THE HOLDER OF ANY INTEREST IN THE WARRANTS REPRESENTED BY THIS GLOBAL WARRANT WAS IN BREACH, AT THE TIME GIVEN, OF ANY REPRESENTATION OR AGREEMENT GIVEN BY SUCH WARRANTHOLDER, THE PURPORTED TRANSFER SHALL BE ABSOLUTELY NULL AND VOID *AB INITIO* AND SHALL VEST NO RIGHTS IN THE PURPORTED TRANSFEREE (SUCH PURPORTED TRANSFEREE, A "**DISQUALIFIED TRANSFEREE**") AND THE LAST PRECEDING HOLDER OF SUCH INTEREST THAT WAS NOT A DISQUALIFIED TRANSFEREE SHALL BE RESTORED TO ALL RIGHTS AS A WARRANTHOLDER THEREOF RETROACTIVELY TO THE DATE OF TRANSFER OF SUCH INTEREST BY SUCH WARRANTHOLDER.

IF REQUESTED BY THE ISSUER OR BY A WARRANT AGENT, THE PURCHASER AGREES TO PROVIDE THE INFORMATION NECESSARY TO DETERMINE WHETHER THE TRANSFER OF WARRANTS REPRESENTED BY THIS GLOBAL WARRANT IS PERMISSIBLE UNDER THE SECURITIES ACT OR THE CEA.

THE WARRANTS AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THE WARRANTS TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY. THE PURCHASER OF SECURITIES REPRESENTED BY THIS GLOBAL WARRANT SHALL BE DEEMED TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT."

## *Subscription and Sale*

### **SUBSCRIPTION AND SALE**

The Dealers have in a programme agreement (the "**Programme Agreement**") dated on or about the date of this Prospectus agreed with the Issuer and the Guarantor a basis upon which the Issuer may from time to time agree to issue Securities. Any such agreement will extend to those matters stated under "*Form of the Securities*", "*General Terms and Conditions of the N&C Securities*" and "*General Terms and Conditions of the Warrants*". In the Programme Agreement, the Issuer (failing which, the Guarantor) has agreed to reimburse the Dealers for certain of their expenses in connection with the issue of Securities under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith. The price and amount of Securities to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions. The Securities may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Programme Agreement also provides for Securities to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers. If a Tranche of Securities is syndicated, the details of such syndication will be specified in the applicable Final Terms.

In connection with the issue of any Tranche of Securities, 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 (provided that, in the case of any Tranche of Securities to be admitted to trading on a regulated market in the European Economic Area, the aggregate principal amount of Securities allotted does not exceed 105.00 per cent. of the aggregate principal amount of the relevant Tranche) or effect transactions with a view to supporting the market price of the Securities of the Series (as defined below) of which such Tranche forms part 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 Securities 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 Securities and 60 days after the date of the allotment of the relevant Tranche of Securities.

### **SELLING RESTRICTIONS**

#### **1. The Americas**

##### *United States of America*

Each Dealer has acknowledged, and each further Dealer appointed under the Programme Agreement will be required to acknowledge, that the Securities 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 accordance with Regulation S or Rule 144A under the United States Securities Act of 1933, as amended (the "**Securities Act**") or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Securities in bearer form 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 U.S. persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme Agreement will be required to agree, that except as permitted by the Programme Agreement: (a) it has not offered, sold or delivered Securities and it will not offer, sell or deliver Securities (i) as part of their distribution at any time or (ii) otherwise (except for Permanently Restricted N&C Securities) until 40 days after the completion of the distribution of all N&C Securities of the relevant Tranche, within the United States or to, or for the account or benefit of U.S. persons and only in accordance with Rule 903 of Regulation S or, in the case of Immobilised Bearer N&C Securities (other than Permanently Restricted N&C Securities) if applicable, Rule 144A under the Securities Act and (b) that it will not at any time offer, sell or deliver Permanently Restricted N&C Securities, or any interest therein, within the United States or to, or for the benefit or account of, U. S. Persons, and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Securities from it or through it during the distribution compliance period a confirmation or notice setting forth the restrictions on offers and sales of the Securities within the United States or to or for the account or benefit of U.S. persons.

## *Subscription and Sale*

Interests in the Immobilised Bearer N&C Securities are being offered and sold only (a) outside the United States to persons other than U.S. persons ("foreign purchasers", which term includes dealers or other professional fiduciaries in the United States acting on a discretionary basis for foreign beneficial owners, other than an estate or trust) pursuant to Regulation S and (b) to a limited number of "qualified institutional buyers" ("**QIBs**") within the meaning of Rule 144A, in compliance with Rule 144A.

The Permanently Restricted N&C Securities may not at any time be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person and may not be legally or beneficially owned at any time by any U.S. person. Accordingly, Permanently Restricted N&C Securities may only be offered and sold in offshore transactions outside the United States to persons that are not U.S. persons pursuant to Regulation S. Any offer, sale, resale, trade, pledge, redemption, transfer or delivery of Permanently Restricted N&C Securities made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised.

Except as otherwise provided, terms used in this United States sub-section of "*Selling Restrictions*" have the meanings given to them by Regulation S.

In addition, until 40 days after the completion of the distribution of all N&C Securities comprising any Tranche, an offer or sale of N&C Securities within the United States by any dealer (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.

Further, no Warrants of any series, or interests therein or Entitlement with respect thereto, may at any time be offered, sold, resold, traded, pledged, redeemed, transferred or delivered, directly or indirectly, in the United States of America (including the states and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction (the "**United States**") or directly or indirectly offered, sold, resold, traded, pledged, redeemed, transferred or delivered to, or for the account or benefit of, any person who is (i) an individual who is a citizen or resident of the United States; (ii) a corporation, partnership or other entity organised in or under the laws of the United States or any political subdivision thereof or which has its principal place of business in the United States; (iii) any estate or trust which is subject to United States federal income taxation regardless of the source of its income; (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and if one or more United States trustees have the authority to control all substantial decisions of the trust; (v) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (ii) above; (vi) any entity organised principally for passive investment, 10 per cent. or more of the beneficial interests in which are held by persons described in (i) to (v) above if such entity was formed principally for the purpose of investment by such persons in a commodity pool the operator of which is exempt from certain requirements of Part 4 of the CFTC's regulations by virtue of its participants being non-U.S. Persons; or (vii) any other "U.S. Person" or person that is not a "non-United States person" as such either term may be defined in Rule 902(k) of Regulation S or in regulations adopted under the Commodity Exchange Act (a "**U.S. Person**" for purposes of the Warrants).

Offers, sales, resales or deliveries of Warrants of any series, or interests therein or any Entitlement with respect thereto, directly or indirectly, in the United States or to, or for the account or benefit of U.S. Persons would constitute a violation of United States securities laws unless made in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom. In addition, in the absence of relief from the CFTC, offers, sales, resales, trades or deliveries of Warrants of any series, or interests therein or any Entitlement with respect thereto, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. Persons, may constitute a violation of United States law governing commodities trading. Consequently, no U.S. Person may at any time trade or maintain a position in the Warrants, and any offer, sale, resale, trade, pledge, redemption, transfer or delivery of any Securities of any series, or interests therein or any Entitlement with respect thereto, made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. Person will not be recognised.

Prior to the delivery of any Entitlement in respect of any Warrants to be settled by way of physical delivery, the holder thereof will be required to represent that, *inter alia*, it is not a U.S. Person, the Warrant was not redeemed on behalf of a U.S. Person and no cash, securities or other property have been or will be delivered within the United States or to, or the account or benefit of, a U.S. Person in connection with any exercise thereof (see Warrant Condition 4.3).

## *Subscription and Sale*

Each issuance of Securities shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance of such Securities, which additional selling restrictions shall be set out in the applicable Final Terms.

### *United Mexican States*

Pursuant to the Mexican Securities Market Law, the Securities have not been, and will not be, registered with the Mexican National Registry of Securities (*Registro Nacional de Valores*) maintained by the Mexican National Banking and Securities Commission (*Comisión Nacional Bancaria de Valores*), and may not be offered or sold publicly in the United Mexican States. This Prospectus has not been authorised or registered under the Mexican Securities Market Law and may not be distributed publicly in the United Mexican States.

Pursuant to Article 8 of the Mexican Securities Market Law (*Ley del Mercado de Valores*), the Securities may be offered or sold, on a private placement basis to Mexican qualified and institutional investors (*inversionistas institucionales o calificados*).

### *Federative Republic of Brazil*

The Securities may not be offered or sold to the public in Brazil. The Securities have not been and will not be registered with the Comissão de Valores Mobiliários – the Brazilian Securities and Exchange Commission ("CVM") and accordingly, each Dealer has represented and agreed that it has not and will not sell, promise to sell, offer, solicit, advertise and/or market the Securities within the Federative Republic of Brazil in an offering that can be construed as a public offering or unauthorised distribution of securities under Brazilian law and regulations. Additionally, each Dealer has represented and agreed that it has not and will not violate any of the registration requirements and securities distribution, sales and marketing restrictions under CVM Instruction nº 400, dated 29 December 2003, as amended from time to time, and Federal Law 6.385, dated 7 December 1976, as amended from time to time.

A seller of the Securities may be asked by the purchaser to comply with procedural requirements to evidence previous title to the Securities and may be subject to Brazilian tax on capital gains which may be withheld from the sale price. Persons wishing to offer or acquire the Securities within Brazil should consult with their own counsel as to the applicability of these registration requirements or any exemption therefrom.

### *Republic of Argentina*

The Securities are not and will not be authorised by the Comisión Nacional de Valores (the "CNV") for public offer in Argentina and may thus not be offered or sold to the public at large or to sectors or specific groups thereof by any means, including but not limited to personal offerings, written materials, advertisements, the internet or the media, in circumstances which constitute a public offering of securities under Argentine Law No. 17,811, as amended (the "**Public Offering Law**").

The Public Offering Law does not expressly recognise the concept of private placement. Notwithstanding the foregoing, pursuant to the general rules on public offering and the few existing judicial and administrative precedents, the following private placement rules have been outlined:

- (a) target investors should be qualified or sophisticated investors, capable of understanding the risk of the proposed investment;
- (b) investors should be contacted on an individual, direct and confidential basis, without using any type of mass means of communication;
- (c) the number of contacted investors should be relatively small;
- (d) investors should receive complete and precise information on the proposed investment;



## ***Subscription and Sale***

- (e) any material, brochures, documents, etc, regarding the investment should be delivered in a personal and confidential manner, identifying the name of the recipient. Likewise, any distributed material is intended solely for the use of the intended recipient(s) and the distributed material's contents may not be reproduced, redistributed, or copied, in whole or in part for any purpose without the express authority of an Agent. The aforementioned documents or materials should contain a statement expressly stating such circumstances and prohibitions;
- (f) the documents or information mentioned in (e) above should contain a legend or statement expressly stating that the offer is a private offer not subject to the approval or supervision of the CNV, or any other regulator in Argentina;
- (g) the aforementioned documents or materials should also contain a statement prohibiting the resale or re-placement of the relevant securities within the Argentine territory or their sale through any type of transaction that may constitute a public offering of securities pursuant to Argentine law; and
- (h) the investment in the Securities from Argentina has to comply with applicable Argentine foreign exchange regulation in place in Argentina. Any potential investor intending to invest in the Securities from Argentina shall request, before deciding on such investment, legal advice to ensure that the investment in the Securities is in compliance with applicable Argentine foreign exchange regulation.

### ***Republic of Chile***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither the Issuer nor the Securities have been, and will not be registered at the Chilean Securities and Insurance Commission (*Superintendencia de Valores y Seguros de Chile*) pursuant to *Ley No. 18,045 de Mercado de Valores* (Securities Market Act), as amended, of the Republic of Chile and, accordingly, each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, any Securities within Chile or to, or for the account or benefit of persons in Chile except in circumstances which have not resulted and will not result in a public offering and/or securities intermediation (*funciones de intermediación*) in Chile within the meaning of Chilean law.

### ***Republic of Colombia***

Each Dealer has represented and agreed that the Securities have not and will not be marketed, offered, sold or distributed in Colombia or to Colombian residents except in circumstances which do not constitute a public offer of securities in Colombia within the meaning of article 6.1.1.1.1 of Decree 2555 of 2010, as amended from time to time. This material is for the sole and exclusive use of the addressee as a determined individual/entity and cannot be understood as addressed for the use of any third party. Accordingly, the Securities will not be publicly offered or marketed or negotiated in Colombia through promotional or advertisement activities (as defined under Colombian law) except in compliance with the requirements of the Colombian Financial and Securities Market Regulation (*Decree 2555 of 2010, Law 964 of 2005 and Organic Statute of the Financial System*) as amended and restated, and decrees and regulations made thereunder. Each Dealer has acknowledged that the Securities have not been registered with the National Securities and Issuers Registry (*Registro Nacional de Valores y Emisores*) of the Colombian Financial Superintendence (*Superintendencia Financiera de Colombia*), and therefore it is not intended for any public offer of the Securities in Colombia.

Investors acknowledge the Colombian laws and regulations (specifically foreign exchange and tax regulations) applicable to any transaction or investment consummated in connection with this Prospectus and represent that they are the sole liable party for full compliance with any such laws and regulations. The investors represent that the investment in the securities is a permitted investment for them under their corporate bylaws and/or particular investment regime that may be applicable.

### ***Republic of Peru***

Each Dealer has represented and agreed that the Securities have not and will not be placed, offered, sold, disposed of or distributed in Peru, except in circumstances which do not constitute a public offer of securities in Peru within the meaning of the Peruvian securities laws and regulations. Accordingly, the Securities will not be the subject of a duly diffused

## ***Subscription and Sale***

invitation for subscription, acquisition or purchase of the Securities in Peru, pursuant to the Peruvian Securities Market Law, Supreme Decree No. 093-2002-EF, as amended and restated.

The Securities may only be offered in Peru, under private offerings, complying with the Securities Market Law and the regulations that govern the investment policy of institutional investors such as, but not restricted to, banking and other financial entities, insurance entities, private pension fund managers, open ended and closed ended collective investment schemes.

Each Dealer has acknowledged that this Prospectus has not been subject to review by the Peruvian Securities Market Commission (*Comisión Nacional Supervisora de Empresas y Valores – "CONASEV"*) and has not been registered with the Peruvian Securities Market Public Registry. Accordingly, it is not intended for any public offer of the Securities in Peru. If the Securities were to be offered under private offerings in Peru, regulations do not impose reporting obligations with CONASEV, to any of the Issuer or the Dealers, notwithstanding, when offering the Securities to investors subject to the supervision of the Peruvian Financial Services Authority (*Superintendencia de Banca y Seguros y Administradoras Privadas de Fondos de Pensiones*), certain disclosure requirements should be met in order to be in good standing with the regulations issued by such authority.

If through any private offering an institutional investor acquires Securities that are not registered with CONSAEV, such securities may not be sold or transferred by such institutional investor for a period of 12 months from their acquisition date unless (a) such transfer or sale is made to another institutional investor as defined by the Peruvian Securities Market Law (*Ley del Mercado de Valores*), (b) such Securities have been registered under CONASEV's Public Registry, or (c) such transfer or sale is made pursuant to an applicable exemption from registration under the Peruvian Securities Market Law.

Notice to Private Pension Funds and Insurance Companies in Peru. Private Pension Funds (*Administradoras Privadas de Fondos de Pensiones*) and Insurance Companies (*Compañías de Seguros*) in Peru should seek their own legal advice as to the eligibility of the securities and legal, financial and technical advice as to their capacity to acquire the securities in compliance with the limits set forth by applicable Peruvian law. In particular, to acquire the securities, Peruvian Private Pension Funds should seek to register the securities with the Peruvian Bank and Insurance Superintendency (*Superintendencia de Banca, Seguros y AFP*) and, if applicable, to register the particular placement procedure through which such securities are acquired.

### ***Uruguay (The Eastern Republic of Uruguay)***

Neither the programme nor the Securities have been registered with the "Superintendencia de Financial Services" of the Central Bank of Uruguay ("**CBU**") and has not and will not be traded on any Uruguayan stock exchange. The Securities are not offered to the public in or from Uruguay. This offer has not been and will not be announced to the public and offering material will not be made available to the public except in circumstances which do not constitute a public offer of securities in Uruguay in compliance with the requirements of the Uruguayan Securities Market Law (Law No 18.627 of 24 November 2009). Public advertising of the Programme should be avoided.

### ***Republic of Paraguay***

The Securities and the Prospectus do not constitute a public offering of securities or other financial products and services in Paraguay. Each Dealer has acknowledged that (a) the Securities were issued outside of Paraguay, (b) any legal matter arising from any offering of the Securities shall not be submitted to any Paraguayan government authority and (c) the Paraguayan Deposit Insurance legislation does not insure investments in the Securities. The Paraguayan Central Bank (*Banco Central del Paraguay*), the Paraguayan National Stock Exchange Commission (*Comisión Nacional de Valores del Paraguay*) and the Paraguayan Banking Superintendency (*Superintendencia de Bancos del Banco Central del Paraguay*) do not regulate any offering of the Securities or any obligations that may arise from such offering. Investors should make their own decision whether any offering meets its investment objectives and risk tolerance level.

### ***British Virgin Islands ("BVI")***

The Securities may not be offered to the public in the British Virgin Islands unless the Issuer or the person offering the Securities on its behalf is licensed to carry on business in the British Virgin Islands. The Issuer is not licensed to carry on

## *Subscription and Sale*

business in the British Virgin Islands. The Securities may be offered to British Virgin Islands business companies (from outside the British Virgin Islands) without restriction. A "British Virgin Islands business company" is a BVI company formed under or otherwise governed by the BVI Business Companies Act 2004 of the BVI.

### *Cayman Islands*

Each Dealer has represented and agreed with the Issuer that it shall not offer and sell Securities from a place of business within the Cayman Islands (including an offering from an internet or other electronic service provider located in the Cayman Islands) or in a manner constituting the commencement of business in the Cayman Islands unless it is appropriately registered and licensed or otherwise permitted to undertake such an offer or sale under applicable laws (including, without limitation, the Securities Investment Business Law of the Cayman Islands).

A Dealer may therefore offer and sell Securities to investors resident and incorporated in the Cayman Islands without restriction on such Dealer or the Issuer if such Dealer is, according to applicable Cayman Islands law, not located in the Cayman Islands (as a branch, an incorporated entity, a resident or otherwise) and does not have a place of business in and/or has not commenced the carrying on of business in the Cayman Islands.

## **2. Europe, the Middle East and Africa**

### *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 has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including 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 Securities, which are 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 Securities to the public in that Relevant Member State:

- (a) if the final terms in relation to the Securities specify that an offer of those Securities 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 Securities 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 dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purposes of that Non-exempt offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive; or
- (c) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, 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
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities referred to in (a) to (d) above shall require 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.

For the purposes of this provision, the expression an "**offer of Securities to the public**" in relation to any Securities 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 Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and

## *Subscription and Sale*

the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

### *United Kingdom*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 (financial promotion) of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Securities in circumstances in which Section 21(1) of the FSMA would not, if they were not authorised persons apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Securities in, from or otherwise involving the United Kingdom.

### *Belgium*

With regard to Securities having a maturity of less than 12 months (and which therefore fall outside the scope of the Prospectus Directive), this Prospectus has not been, and it is not expected that it will be, submitted for approval to the Belgian Financial Services and Markets Authority. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it shall refrain from taking any action that would be characterised as or result in a public offering of these Securities in Belgium in accordance with the Prospectus Law dated 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on regulated markets, as amended or replaced from time to time.

Bearer securities (including, without limitation, definitive securities in bearer form and securities in bearer form underlying the Securities) shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005.

Fund Linked Securities will not be offered in Belgium unless Cash Settlement applies or unless the underlying fund(s) are registered in accordance with the law of 20 July 2004 on the collective management of investment portfolios and can be offered to the public in Belgium.

Unless otherwise specified, the funds underlying the Fund Linked Securities are not registered in accordance with the law of 20 July 2004 on the collective management of investment portfolios and can not be offered to the public in Belgium.

### *France*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in respect of any offer of Securities to the public in France (*offre au public de titres financiers*), it has only made and will only make an offer of Securities to the public in France in the period beginning (a) when a prospectus in relation to those Securities has been approved by the *Autorité des Marchés Financiers* (the "**AMF**") in France, on the date of such publication or, (b) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented the Prospectus Directive, on the date of notification of such approval to the AMF, and ending at the latest on the date which is 12 months after the date of approval of the Prospectus 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; or
- (b) in respect of any private placement in France, it has not offered or sold and will not offer or sell, directly or indirectly, any Securities to the public in France and it has not distributed or caused to be distributed and will not

## ***Subscription and Sale***

distribute or cause to be distributed to the public in France, the Prospectus, the relevant Final Terms or any other offering material relating to the Securities and that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals, 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*.

This Prospectus prepared in connection with the Securities has not been submitted to the clearance procedures of the AMF.

### ***The Grand Duchy of Luxembourg***

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant, and agree that in addition to the circumstances described above in "European Economic Area", Dealers may also offer the Securities for sale in The Grand Duchy of Luxembourg:

- (a) at any time, to national and regional governments, central banks, international and supranational institutions (such as the International Monetary Fund, the European Central Bank, the European Investment Bank) and other similar international organizations;
- (b) at any time, to legal entities which are authorised or regulated to operate in the financial markets (including, credit institutions, investment firms, other authorized or regulated financial institutions, insurance companies, undertakings for collective investment and their management companies, pension and investment funds and their management companies, commodity dealers) as well as entities not so authorized or regulated whose corporate purpose is solely to invest in securities; and
- (c) at any time, to certain natural persons or small and medium-sized enterprises (as defined in the Luxembourg law dated July 10, 2005 on prospectuses for securities implementing the Prospectus Directive into Luxembourg law) recorded in the register of natural persons or small and medium-sized enterprises considered as qualified investors as held by the *Commission de Surveillance du Secteur Financier* as competent authority in Luxembourg in accordance with the Prospectus Directive.

### ***Kingdom of Spain***

Each Dealer has represented and agreed, that neither the Securities nor this Prospectus have been approved or registered in the administrative registries of the Spanish Securities Markets Commission (*Comisión Nacional del Mercado de Valores*) and accordingly the Securities cannot be offered or sold in Spain except in circumstances which do not constitute a public offer of securities in Spain as defined and construed in Chapter I of Title III of Law 24/1988, of 28 July, on the Securities Market Law (*Ley 24/1988 de 28 de Julio, del Mercado de Valores*), (as amended by, inter alia, Royal Decree Law 5/2005 of 11 March ("Law 24/1988"), Royal Decree 1310/2005 of 4 November and related legislation) and supplemental rules enacted thereunder or in substitution thereof from time to time, unless the requirements and provisions applicable to public offerings in Spain are met.

### ***Poland***

Pursuant to Article 7 of the Act on Public Offerings, the Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated 29 July 2005, as amended (consolidated text, J. L. 2009, No. 185, item 1439) (the "**Act on Public Offerings**"), a public offer or admission of securities to trading on a regulated market requires an issue prospectus to be drawn up, approved by the Polish Financial Supervisory Authority and published. Pursuant to Article 37 of the Act of Public Offerings, securities of an issuer with its registered office in a Member State for which Poland is a host state may be offered in a public offering or admitted to trading on a regulated market in Poland on completing the passporting procedure described in that act. Pursuant to Article 3 of the Act of Public Offerings, a "**Public Offer**" consists of making information available to at least 100 persons or to an unspecified addressee, in any form and manner, about securities and the conditions for the acquisition of them, provided that this information constitutes satisfactory grounds for making a decision on whether to acquire the securities for consideration.

## *Subscription and Sale*

### *Portuguese Republic*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme and each other purchaser will be required to represent and agree, that the Securities might be offered to the public in Portugal under circumstances which are deemed to be a public offer (*oferta pública*) under the Portuguese Securities Code (*Código dos Valores Mobiliários*, the "CVM") enacted by Decree Law no. 486/99 of November 13, as amended, subject to the fulfilment of the requirements and provisions applicable to public offerings in Portugal. Each Dealer has represented that (i) no document, circular, advertisement or any offering material in relation to the Securities has been or will be subject to approval by the Portuguese Securities Market Commission (*Comissão do Mercado de Valores Mobiliários*, the "CMVM"); (ii) it has not directly or indirectly taken any action or offered, advertised, marketed, invited to subscribe, gathered investment intentions, sold or delivered and will not directly or indirectly take any action, offer, advertise, market, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Securities in circumstances which could qualify as a public offer (*oferta pública*) of securities pursuant to the Portuguese Securities Code and other applicable securities legislation and regulations, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portugal, as the case may be; (iii) it has not, directly or indirectly, distributed, made available or caused to be distributed and will not, directly or indirectly, distribute, make available or cause to be distributed the Prospectus or any document, circular, advertisements or any offering material in Portugal, unless the requirements and provisions applicable to public offerings and private placements in Portugal, as the case may be, are met. Each Dealer further represents and agrees, and each further Dealer appointed under the Programme shall represent and agree, that (i) all offers, sales and distributions by it of the Securities have been and will only be made in Portugal in circumstances that, pursuant to the CVM, qualify as a private placement (*oferta particular*) of securities, all in accordance with the CVM, unless the requirements and provisions applicable to public offerings in Portugal are met; and (ii) pursuant to the CVM the private placement in Portugal or with Portuguese residents of Securities by public companies (*sociedades abertas*) or by companies that are issuers of securities listed on a market needs to be notified to the CMVM for statistical purposes; and (iii) it will comply with all applicable provisions of the CVM and any applicable CMVM Regulations and all relevant Portuguese laws and regulations, in any such case that may be applicable to it in respect of any offer, placement or sales of Securities by it in Portugal. Each Dealer has agreed that it shall comply with all applicable laws and regulations in force in Portugal, including (without limitation) the CVM, the CMVM Regulations and the Prospectus Directive and Prospectus Regulation, regarding the offering, advertisement, distribution, submission to an investment-gathering procedure, sale, re-sale, re-offering or delivering of the Securities in Portugal or to individuals or entities resident in Portugal or having a permanent establishment located in Portuguese territory, as the case may be, and that such actions shall only be authorised and performed to the extent that there is full compliance with such laws and regulations.

### *Republic of Italy*

Unless it is specified within the relevant Final Terms that a non exempt offer may be made in Italy, the offering of the Securities has not been registered, pursuant to Italian securities legislation and accordingly, no Securities may be offered, sold or delivered, nor may copies of this Base Prospectus or of any other document relating to the Securities be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Italian Financial Services Act**") and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended time to time ("**CONSOB Regulation No.11971**"); or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Financial Services Act and Article 34-ter of CONSOB Regulation No. 11971.

Any offer, sale or delivery of the Securities or distribution of copies of this Prospectus or any other document relating to the Securities in the Republic of Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Italian Banking Act**"); and

## ***Subscription and Sale***

- (ii) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

*Please note that in accordance with Article 100-bis of the Italian Financial Services Act, where no exemption from the rules on public offerings applies, the Securities which are initially offered and placed in Italy or abroad to professional investors only but in the following year are "systematically" distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Italian Financial Services Act and CONSOB Regulation No. 11971. Failure to comply with such rules may result in the sale of such Securities being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.*

### ***Ireland***

Each Dealer has represented, warranted and agreed that (and each further Dealer appointed under the Programme will be required to represent, warrant and agree that) it has not offered, sold, placed or underwritten and will not offer, sell, place or underwrite the Securities, or do anything in Ireland in respect of the Securities, otherwise than in conformity with the provisions of:

- (a) any rules issued by the Financial Regulator under section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland (as amended) (the "2005 Act");
- (b) the Irish Companies Acts 1963 to 2009;
- (c) the Irish Central Bank Acts, 1942 to 2011;
- (d) the European Communities (Markets in Financial Instruments) Regulations 2007 (No.s 1 to 3) (as amended) of Ireland and it will conduct itself in accordance with any rules or codes of conduct and any conditions or requirements, or any other enactment, imposed or approved by the Financial Regulator; and
- (e) the Irish Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued by the Financial Regulator under section 34 of 2005 Act.

### ***Swiss Confederation***

Unless explicitly stated so in the relevant Final Terms, the Securities may not be publicly offered in or from Switzerland, as such term is defined or interpreted under the Swiss Federal Code of Obligations or the Swiss Federal Act on Collective Investment Schemes, and neither the Programme nor any documents related to the Securities shall constitute a prospectus in the sense of article 652a or 1156 of the Swiss Federal Code of Obligations, or constitute a simplified prospectus in the sense of article 5 of the Swiss Federal Act on Collective Investment Schemes. The Securities do not constitute a participation in a collective investment scheme in the meaning of the Swiss Federal Act on Collective Investment Schemes and they are neither subject to approval nor supervision by the Swiss Financial Market Supervisory Authority (FINMA).

Unless the relevant Final Terms specify that the Securities may be publicly offered in or from Switzerland, such Securities may only be offered or sold in or from Switzerland to qualified investors within the meaning of, and in accordance with, the Swiss Federal Act on Collective Investment Schemes. Pursuant to the guidelines issued by the Swiss Financial Market Supervisory Authority (FINMA) as of the date of this Base Prospectus, qualified investors within the meaning of the Swiss Federal Act on Collective Investment Schemes (in its version of 1 January 2009) and the Swiss Federal Ordinance on Collective Investment Schemes (in its version of 1 March 2009) are:

- (i) regulated financial intermediaries such as banks, brokers dealers or fund administrations;

## *Subscription and Sale*

- (ii) regulated insurance companies;
- (iii) public entities and pension funds with a professional treasury (professional treasury is assumed if there is at least one qualified employee with experience in the financial sector who is responsible for the management of the investments);
- (iv) corporations organised under private law having a professional treasury;
- (v) high net worth individuals, provided they confirm in writing to a regulated financial intermediary or qualifying independent asset manager that they directly or indirectly possess at least CHF 2 million in bankable assets;
- (vi) investors who have concluded a written discretionary asset management contract with a regulated financial intermediary; and
- (vii) independent asset managers and investors who have concluded a written asset management contract with such an independent asset manager, provided that
  - (A) the asset manager is deemed a financial intermediary within the meaning of the Swiss Anti-Money Laundering Act;
  - (B) the asset manager is subject to accepted conduct of business rules of an organisation in the financial sector (for practical purposes, this is mainly the Association of Swiss Asset Managers); and
  - (C) the discretionary asset management contract is in accordance with the accepted guidelines of such organisation."

### **3. Asia-Pacific region**

#### ***Hong Kong Special Administrative Region***

Each Dealer acknowledges and agrees that the Securities have not been authorised by the Hong Kong Securities and Futures Commission. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme and each other purchaser will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether principal or agent) (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (iii) 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;
- (b) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance;
- (c) the contents of this Prospectus have not been reviewed by any regulatory authority in Hong Kong.

Unless (a) the Securities are not linked to an underlying Relevant Asset or do not otherwise include a derivative and/or (b) you are an institution or are otherwise a sophisticated investor for whom an assessment of the suitability of the Securities for you by the selling intermediary is not required under applicable Hong Kong laws, regulations and rules, you should take note of the following warning:



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*This is a structured product involving derivatives. The investment decision is yours but you should not invest in the Securities unless the intermediary who sells it to you has explained to you that the product is suitable for you having regard to your financial situation, investment experience and investment objectives.*

Where the Securities are not linked to any underlying Relevant Asset or do not otherwise include a derivative, if you are not an institution or a sophisticated investor for whom an assessment of the suitability of the Securities for you by the selling intermediary is not required under applicable Hong Kong laws, regulations and rules, you should take note of the following warning:

*This is an investment product. The investment decision is yours but you should not invest in the Securities unless the intermediary who sells it to you has explained to you that the product is suitable for you having regard to your financial situation, investment experience and investment objectives.*

In either case, you should also take note of the following warning:

*The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.*

None of the Issuer or the Guarantor accept any responsibility for any acts or omissions of such intermediary.

### ***Japan***

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the "FIEA"). Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Securities in Japan or to, or for the benefit of, any resident of Japan, or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and other relevant laws, regulations and ministerial guidelines of Japan. As used in this paragraph, "resident of Japan" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

### ***Republic of Korea***

The Securities have not been registered with the Financial Supervisory Commission of Korea for public offering in Korea. None of the Securities may be offered, sold and 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 in Korea except pursuant to the applicable laws and regulations of Korea, including the Securities and Exchange Law of Korea and the decrees and regulations thereunder (the "**Securities and Exchange Laws**") and the Foreign Exchange Transaction Law of Korea and the decrees and regulations thereunder (the "**Foreign Exchange Transaction Laws**"). Without prejudice to the foregoing the number of Securities offered in Korea or to a resident in Korea shall be less than 50 and for a period of one year from the issue date of the Securities, none of the Securities may be divided resulting in an increased number of Securities. Furthermore, the purchaser of the Securities shall comply with all applicable regulatory requirements (including, but not limited to, requirements under the Foreign Exchange Transaction Laws) in connection with the purchase of the Securities.

Each Dealer has represented and agreed that it has not offered, sold or delivered, directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, any Securities in Korea or to any resident of Korea and will not offer, sell or deliver, directly or indirectly, or offer or sell to any person for re-offering or resale, directly or indirectly, any Securities in Korea or to any resident of Korea, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Laws, Foreign Exchange Transaction Laws and other relevant laws and regulations of Korea.

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### *Republic of 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**").

Where the Securities are cash settled or where there is physical delivery of the Relevant Asset which are Shares or units of Shares (other than shares or other units of a fund or a collective investment scheme) of a corporation (whether incorporated in Singapore or elsewhere) or debentures or units of debentures of an entity, interests in a limited partnership or limited liability partnership formed in Singapore or elsewhere, or such other product or class of products prescribed by the MAS, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities or the Relevant Assets may not be circulated or distributed, nor may the Securities or the Relevant Assets 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 (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the Securities or the Relevant Assets are subscribed or purchased under Section 275 of the SFA 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,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities under Section 275 of the Securities and Futures Act except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law; or
- (iv) as specified in Section 276(7) of the Securities and Futures Act.

Where the Securities which are linked to any fund as a Relevant Asset ("**Fund Linked Securities**") do not provide for any right or interest (including an option) in respect of units in an underlying fund (which is a "collective investment scheme" (as defined in the SFA) and therefore open-ended), this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Fund Linked Securities may not be circulated or distributed, nor may the Fund Linked Securities 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 (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Fund Linked Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

## *Subscription and Sale*

- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Fund Linked Securities pursuant to an offer made under Section 275 or the SFA except:
- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
  - (2) where no consideration is or will be given for the transfer;
  - (3) where the transfer is by operation of law; or
  - (4) as specified in Section 276(7) of the SFA.

The offer or invitation of the Relevant Assets which constitute units in an underlying fund which is a "collective investment scheme" (as defined in the SFA) (the "**CIS Reference Items**") do not relate to a collective investment scheme which is authorised under Section 286 of the SFA or recognised under Section 287 of the SFA. The fund is not authorised or recognised by the MAS and the CIS Reference Items are not allowed to be offered to the retail public. This Prospectus and any other document or material issued in connection with the offer or sale is not a prospectus as defined in the SFA.

Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. You should consider carefully whether the investment is suitable for you.

This Prospectus has not been registered as a prospectus with the MAS. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the CIS Reference Items may not be circulated or distributed, nor may the CIS Reference Items 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 (i) to an institutional investor under Section 304 of the SFA, (ii) to a relevant person, or any person pursuant to Section 305(2), and in accordance with the conditions specified in Section 305 of the SFA or (iii) pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where CIS Reference Items are subscribed or purchased under Section 305 by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the CIS Reference Items pursuant to an offer made under Section 305 of the SFA except:
  - (1) to an institutional investor or to a relevant person defined in Section 305(5) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 305A(3)(i)(B) of the SFA;
  - (2) where no consideration is or will be given for the transfer;
  - (3) where the transfer is by operation of law; or
  - (4) as specified in Section 305A(5) of the SFA.

Where the Fund Linked Securities do provide for a right or interest (including an option) in respect of units in a fund which is a CIS Reference Item, the offer or invitation of the Fund Linked Securities and CIS Reference Items, which is the subject

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of this Base Prospectus, does not relate to a collective investment scheme which is authorised under Section 286 of the SFA or recognised under Section 287 of the SFA. The Programme and the Issuer are not authorised or recognised by the MAS and the Fund Linked Securities and the CIS Reference Items are not allowed to be offered to the retail public.

This Prospectus and any other document or material issued in connection with the offer or sale is not a prospectus as defined in the SFA. Accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply. You should consider carefully whether the investment is suitable for you.

This Prospectus has not been registered as a prospectus with the MAS. This Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Fund Linked Securities or CIS Reference Items may not be circulated or distributed, nor may the Fund Linked Securities or CIS Reference Items 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 (i) to an institutional investor under Section 304 of the SFA, (ii) to a relevant person, or any person pursuant to Section 305(2), and in accordance with the conditions specified in Section 305 of the SFA or (iii) pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Fund Linked Securities or CIS Reference Items are subscribed or purchased under Section 305 by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Fund Linked Securities or CIS Reference Items pursuant to an offer made under Section 305 of the SFA except:
  - (1) to an institutional investor or to a relevant person defined in Section 305(5) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 305A(3)(i)(B) of the SFA;
  - (2) where no consideration is or will be given for the transfer;
  - (3) where the transfer is by operation of law; or
  - (4) as specified in Section 305A(5) of the SFA.

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### *Taiwan*

The Securities may not be sold, offered or issued (i) to Taiwan resident investors unless outside Taiwan for purchase outside Taiwan by such investors and/or (ii) in Taiwan unless they are made available through bank trust department, licensed securities brokers and/or insurance company investment linked insurance policies pursuant to the Taiwan Regulations Governing Offshore Structured Products. The offer of the Securities has not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to the Taiwan Regulations Governing Offshore Structured Products and relevant securities laws and regulations of Taiwan and may not be offered or sold within Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan is authorised to distribute or otherwise intermediate the offering of the Securities or the provision of information relating to the Programme, including, but not limited to, this Prospectus. Any subscriptions of Securities shall only become effective upon acceptance by the Issuer or the relevant Dealer outside Taiwan and, unless otherwise specified in the subscription documents relating to the securities signed by the investors, shall be deemed a contract entered into in the jurisdiction of incorporation of the Issuer or relevant Dealer, as the case may be. *The People's Republic of China*

The Securities may not be offered or sold, directly or indirectly, (i) by means of any advertisement, invitation, document or activity which is directed at or other contents of which are likely to be accessed or read by the public in the People's Republic of China, excluding Hong Kong, Macau and Taiwan ("PRC"); or (ii) to any person within the PRC other than in full compliance with the relevant laws and regulations of the PRC, including, but not limited to, the PRC Securities Law, the Company Law and/or The Provisional Administrative Measures on Derivatives Business of Financial Institutions (as amended from time to time). Neither this Prospectus nor any material or information contained or incorporated by reference herein relating to the Programme, which have not been and will not be submitted to or approved/verified by or registered with the China Securities Regulatory Commission or other relevant governmental authorities in the PRC, may be supplied to the public in the PRC or used in connection with any offer for the subscription, purchase or sale of the Securities other than in compliance with the aforesaid in the PRC. PRC investors are responsible for obtaining all relevant government regulatory approvals/licences, verification and/or registrations themselves, including, but not limited to, any which may be required from the China Securities Regulatory Commission, the State Administration of Foreign Exchange and/or the China Banking Regulatory Commission, and complying with all relevant PRC regulations, including, but not limited to, all relevant foreign exchange regulations and/or foreign investment regulations.

### *Malaysia*

The Securities may not be offered or sold in Malaysia unless such offer, sale or invitation falls within (i) Schedule 5 to the Capital Markets and Services Act 2007 ("CMSA"), (ii) Schedule 6 or 7 to the CMSA as an "excluded offer" or "excluded invitation" or "excluded issue" within the meaning of sections 229 and 230 of the CMSA and, where such Securities are debentures (as defined in the CMSA), (iii) Schedule 8 such that the trust deed requirements in the CMSA are not applicable. Each Dealer has represented and undertaken to the Issuer that it has not offered or sold and will not offer or sell any of the Securities directly or indirectly, in Malaysia unless such offer, sale or invitation falls within (i) Schedule 5 to the CMSA, (ii) Schedule 6 or 7 to the CMSA as an "excluded offer" or "excluded invitation" or "excluded issue" within the meaning of sections 229 and 230 of the CMSA and where such Securities are debentures (as defined in the CMSA) (iii), Schedule 8 such that the trust deed requirements in the CMSA are not applicable. No proposal has been submitted to the Securities Commission for its approval under the CMSA in respect of Securities, and no prospectus, trust deed or deed which complies with the requirements of the CMSA and the guidelines of the Securities Commission has been or will be registered with the Securities Commission under the CMSA.

In addition to the above, the Securities may not be offered or sold in or from within the Federal Territory of Labuan without the prior written approval of the Labuan Financial Services Authority ("LFSA") unless such offer, sale or invitation falls within section 8(5) of the Labuan Financial Services and Securities Act 2010 ("LFSSA"). Each Dealer has represented and undertaken to the Issuer that it has not offered or sold and will not offer or sell any of the Securities directly or indirectly, in or from within the Federal Territory of Labuan except in compliance with the LFSSA. No proposal has been submitted to LFSA for its approval under the LFSSA in respect of Securities, and no prospectus which complies with the requirements of the LFSSA has been or will be registered with the LFSA under the LFSSA.

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### ***The Commonwealth of Australia***

No prospectus, disclosure document or product disclosure or product disclosure statement (as these terms are defined in the Corporations Act 2001 (Cth), or the "**Corporations Act**") in relation to the Securities has been lodged with the Australian Securities and Investments Commission ("**ASIC**") or the Australian Securities Exchange. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme and each other purchaser will be required to represent and agree, that it:

- (a) has not offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of the Securities in Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published and will not distribute or publish, any draft, preliminary or definitive information memorandum, advertisement, or other offering material relating to the Securities in Australia, unless:
  - (A) the minimum aggregate consideration payable (calculated if necessary in accordance with the regulation 7.1.18 of the Corporations Regulation 2001) for the Securities by each offeree or invitee on acceptance is at least A\$500,000 (or its foreign currency equivalent, but disregarding amounts, if any, loaned by the offeror (as determined under Section 700(3) of the Corporations Act) or its associates (as determined under section 10 and 17 of the Corporations Act), or the offer or invitation otherwise does not by virtue of section 708 of the Corporations Act require disclosure to investors under Part 6D.2 of the Corporations Act and is not made to a retail client (as defined in section 761G of the Corporations Act); and
  - (B) such action complies with all applicable laws, regulations and directives (including, without limitation, the licensing requirements of Chapter 7 of the Australian Corporations Act); and
  - (C) such action does not require any document to be lodged with ASIC.

### **General**

The Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, with the Issuer and the Guarantor that it will observe all applicable laws and regulations in any jurisdiction in which it may offer, sell or deliver Securities and that it will not, directly or indirectly, offer, sell or deliver Securities or distribute or publish this document, any prospectus, circular, advertisement or other offering material (including, without limitation, any supplement to this document) in relation to the Securities in or from any country of jurisdiction except under circumstances that will to best of its knowledge and belief result in compliance with any applicable laws and regulations, and all offers, sales and deliveries of Securities by it will be made on the foregoing terms.

None of the Issuer, the Guarantor and the Dealers represents by virtue of the Prospectus that Securities 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.

The restrictions on offerings may be modified by the agreement of the Issuer, the Guarantor and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the applicable Final Terms applicable to each Series of Securities or in a supplement to this document.

### **Disclaimer**

As a result of the foregoing restrictions, purchasers of Securities are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Securities.

Unless otherwise specified in the applicable Final Terms, no offers, sales, re-sales or deliveries of any Securities, or distribution of any offering material relating to any Securities, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and which will not impose any obligation on the Issuer, Guarantor or the Dealers.

## *General Information*

### GENERAL INFORMATION

#### 1. Documents Available

So long as Securities are capable of being issued under the Programme, copies of the following documents will, when published, be available for inspection during usual business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Issuer and the Guarantor and at the specified offices of the Paying Agents save that items (iv) and (v) will not be available at the specified offices of the Paying Agents (and items (i), (vi) and (vii) will be available for collection free of charge):

- (i) the articles of association of the Issuer and the Guarantor;
- (ii) the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2011, which appear on pages 11 to 120 of the Issuer's Annual Report and Accounts for the year ended 31 December 2011;
- (iii) the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2010, which appear on pages 11 to 113 of the Issuer's Annual Report and Accounts for the year ended 31 December 2010;
- (iv) the:
  - (A) audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2011, which appear on pages 157 to 274 and pages 62 to 135 except the Operational Risk and Other Risks sections on pages 128 to 134;
  - (B) audited information in the Balance Sheet Business Review on pages 44 to 48;
  - (C) audited information titled "FSA Remuneration Disclosures" on pages 152 to 156;
  - (D) the section entitled "Bank of England Specified Liquidity Scheme" on page 58; and
  - (E) audited information in the Directors' Report on pages 143 to 145;in each case, of the Guarantor's Annual Report and Accounts for the year ended 31 December 2011;
- (v) the:
  - (A) audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December 2010, which appear on pages 149 to 262 and pages 67 to 134 except as marked as "unaudited" on pages 92, 93 and the Operational Risk and Other Risks sections on pages 121 to 123;
  - (B) the unaudited table titled "Trading profit before tax by segment" on page 25 within the "Business Review – Divisional Results"; and
  - (C) the audited information in the Directors' Report on pages 141 to 143;in each case, of the Guarantor's Annual Report and Accounts for the year ended 31 December 2010;
- (vi) the Programme Agreement, the Agency Agreement (which contains the forms of Global N&C Securities, N&C Securities in definitive form, Receipts, Coupons and Talons), the Warrant Agreement (which contains the form of Global Warrant), the N&C Securities Depository Agreement, Deed of Covenant and the Guarantee;
- (vii) this Prospectus;

## ***General Information***

- (viii) any future information memoranda, offering circulars, prospectuses and supplements to this Prospectus and any other documents incorporated herein or therein by reference;
- (ix) in the case of each issue of listed Securities subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document);
- (x) Final Terms (save that Final Terms relating to an unlisted Security will only be available for inspection by a holder of such Security and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Securities and identity); and
- (xi) the Terms and Conditions set out on pages 59 to 168 of the Base Prospectus dated 28 March 2007 in relation to the Issuer's Structured Note Programme, the Conditions set out on pages 149 to 280 of the Base Prospectus dated 26 March 2008 in relation to the Issuer's Structured Note Programme, the Conditions set out on pages 147 to 297 of the Base Prospectus dated 26 March 2009 in relation to the Issuer's Structured Note Programme, the Conditions set out on pages 155 to 315 of the Base Prospectus dated 14 April 2010 and the Conditions set out on pages 109 to 292 of the Prospectus dated 12 April 2011 relating to the Issuer's Structured Note Programme.

### **2. Clearance Systems**

The Securities in bearer and registered form have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate Common Code and ISIN for each Tranche of Bearer Securities allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. In addition, the Issuer may make an application for any Securities in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Rule 144A Global N&C Securities, together with the relevant ISIN and Common Code, will be specified in the applicable Final Terms. If the Securities are to clear through an additional or alternative clearance system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B.1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue J. F. Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, NY 10041-0099, United States of America. The address of CREST is Euroclear UK & Ireland Limited, 33 Cannon Street, London, EC4M 5SB.

### **3. Significant or Material Change**

There has been no significant change in the financial or trading position of the ANTS Group (including the Issuer) or the Santander UK Group (including the Guarantor) since 31 December 2011, being the date of both the 2011 consolidated annual financial statements of the Issuer and the Guarantor.

There has been no material adverse change in the prospects of the Guarantor or the Issuer since 31 December 2011, being the date of its last published audited consolidated annual financial statements.

### **4. Litigation**

A claim was filed against the Issuer by tax authorities abroad in relation to the refund of certain tax credits and other associated amounts. Following modifications to the demand, its nominal amount stands at £69 million at the balance sheet exchange rate (2010: £71 million). At 31 December 2011, additional interest in relation to the demand could amount to £37 million at the balance sheet exchange rate (2010: £35 million). A favourable judgement for the Issuer was handed down at first instance in September 2006 which was appealed against by the tax authorities in January 2007. In June 2010, the court ruled in favour of the tax authorities. The Issuer appealed that ruling and in December 2011, the tax authorities confirmed their intention to contest the appeal. Although this matter remains in dispute, in January 2012, £67 million was paid in respect of this matter further to a demand from the tax authorities, which had previously been provided.

Other than the proceedings disclosed in the preceding paragraph none of the Issuer and/or the ANTS Group or the Guarantor and/or the Santander UK Group, is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) which



## ***General Information***

may have or had, in the 12 months prior to the date hereof, a significant effect on the financial position or profitability of the Issuer and/or the ANTS Group or the Guarantor and/or the Santander UK Group.

### **5. Independent Auditors**

The consolidated annual financial statements of the Issuer and the Guarantor for the years ended 31 December 2011 and 31 December 2010 herein incorporated by reference have been audited by Deloitte LLP, Chartered Accountants and Registered Auditors and members of the Institute of Chartered Accountants of England and Wales, as stated in the report appearing therein.

### **6. U.S. Regulatory Controls**

Bearer Securities (other than in the case of Immobilised Bearer N&C Securities) with an original maturity of more than one year and the relevant Receipts, Coupons or Talons will bear the following legend:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code."

### **7. Contracts (Rights of Third Parties) Act 1999**

The Contracts (Rights of Third Parties) Act 1999 (the "**Act**") provides, *inter alia*, that persons who are not parties to a contract governed by the laws of England and Wales may be given enforceable rights under such contract. Unless specifically provided in the applicable Final Terms to the contrary, this Programme expressly excludes the application of the Act to any issue of Securities under the Programme.

### **8. Post-Issuance Information**

Save as set out in the applicable Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any issue of Securities.

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THE GUARANTOR**

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Santander Investment Chile Limitada  
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PRINCIPAL WARRANT AGENT, TRANSFER AGENT  
AND EXCHANGE AGENT**

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**BOOK-ENTRY DEPOSITARY/CUSTODIAN**

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